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Canada Textile Industry Royal Commission
Effect of Japanese Competition



ARGUMENT

[Effect of Japanese Competition on the
Textile Industry of Canada.]

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INTRODUCTION

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<u>BRIEF</u>	<u>ARGUMENT</u>	<u>REBUTTAL</u>	<u>S U B J E C T</u>
1	13868	16671	Analysis of Order in Council P.C. 223
3	13872	16643	Letter dated December 26, 1935, from Prime Minister to Japanese Minister to Canada, cancelling surtax on Japanese goods
5	13873		Trade Agreement with United States, Nov. 15, 1935 (Ex. 649)



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P A R T I I

EFFECT OF JAPANESE COMPETITION ON THE TEXTILE MARKET OF CANADA

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>REBUTTAL</u>	<u>S U B J E C T</u>
6	13874		<u>Canada's Trade with Japan, 1922 to 1936 (Ex. 666)</u>
	13874		Canada is a country that must necessarily prosper on export trade
	13875		Value of raw silk imports into the United States from all countries is included in \$161,000,000 worth of goods imported into Canada from Japan between 1922 and 1935 (Ex. 666)
	13876		Between 1922 and 1936 imports of raw silk from the United States became much heavier due to the imposition of excise tax on goods from United States being less than on goods from Japan
6	13877		Canada's export trade with Japan reached its highest point in 1929 (Ex. 666)
7	13877		Canada's exports to Japan had dropped to \$16,000,000 in 1935 (Ex. 666)
8	13877 13990	16627	Table showing decline in principal exports to Japan between 1930 and 1935 (Ex. 666)
8	13878	16610	Table showing wheat imports by Japan, 1929 to 1935 (Ex. 666)
8	13879	16630	<u>Trade Negotiations between Canada & Japan, 1935</u>
9	13879		Letter from A.O. Dawson to Minister of Trade & Commerce, June 13, 1935, protesting against Japanese competition
9	13881		Dawson's letter was to the effect that if there was Japanese competition, the workers were the one who would have to suffer
9	13881 13988 14044 14055 14074		In December, 1935, on a 25¢ article bought in Japan, the Canadian duties payable amounted to \$1.53½
9	13881	16635	List of goods upon which Japan imposed a 50% surtax

10	13881	16631K	Canadian surtax of 33½% imposed on goods imported from Japan
10	13882		Letter from Hallam to President Silk Association, dated July 27, 1935, re effect of surtax on raw silk (Ex. 454)
11	13882	16633K	Letter from Hallam to Marx, July 31, 1935, stating that question of raw silk had been put before the Government by telephone, telegram and memorandum, but that nothing had been done
12	13883		Comparison of total amount invested in the textile industry and Canada's export trade with Japan
12	13884		Valuation of the yen for duty purposes in 1936 was fixed at 39.5¢ and basis of valuation to be used in succeeding years (Ex. 138 and 644)
	13885		Including the surtax, protection afforded Canadian manufacturers amounted to 810%
13	13885	16635K 16644K	Duty payable on Rayon Fabrics after January 1, 1936
13	13885		Comparative statements showing duty payable on artificial silk fabrics imported into Canada and imported into the United States (Ex. 526, 527, 528)
13	13887		Donner, buyer for Sears Roebuck, stated he had no difficulty in getting Japanese goods
	13887		Gordon said he had made no investigation before closing the Sherbrooke mill to find out what the customs tariffs were in the United States
14		16636K	Statement showing importations of rayon fabrics into the United States from Japan, 1932 to 1936 (Ex. 525)
15	13888		<u>Efforts to Intimidate the Government</u>
15	13888		Representations to the Government and the closing of the Rayon Division of the Sherbrooke Branch of The Dominion Textile Co. Ltd.
15	13888		Members of delegation which interviewed the Minister of Finance, Trade & Commerce and National Revenue, on January 14, 1936
16	13889	16637 16640K	Substance of statements made to Ministers at meeting of January 14, 1936 (Ex. 277)

17	13897		Delegation's report of meeting suggests that Government should be asked to take action on fixed valuations under Section 43 of the Customs Act
31	13898 13909	16653 16653	Ministers were favourably inclined to keeping the mills in operation, but wanted proof that Japanese competition was going to be injurious
18	13898		Taylor, of Courtmills (Canada) Ltd., telephoned English company and also wrote them asking for information as to what Japanese competition they might likely expect to receive
18	13900		Taylor expressed opinion that the Japanese fabric which competed with the domestic fabric costing 17¢ per yard formed a very small part of the total Canadian consumption
	13901		Gordon was unable to give any greater information than Taylor as to extent of Japanese competition
19	13901 13986		Gordon's instructions to close down Rayon Division at Sherbrooke on January 17, 1936, and reasons therefor (Ex. 3)
	13904 13909 13910 13913 13986		Kershaw's evidence was that in his conversation with Daniels on January 13, 1936, no mention was made of Japanese competition and that further curtailment of production was necessary because Magee Print Works did not have sufficient machinery to handle the Sherbrooke production of grey goods (Ex. p. 78)
20	13905		Letter from Gordon to Hector MacKinnon dated January 16, 1936, stating Sherbrooke mill will have to be closed until there are reasonable grounds for assuming that goods produced can eventually be sold at a price level in line with cost of production
	13906		Unreasonable to expect Minister of Finance to accede to request that fixed valuation be restored
21	13907		Gordon's telegram to Montreal Gazette, dated Jan. 17, 1936, stating 'Hope to re-open when we can see possibility of manufacturing goods which can be sold. (Ex. 152, Evid. p. 2176, 2181, 2184, 2186)
21	13908		Interview between C.E. Howard and J.G. Dodd in which

Dodd stated "that there were goods coming in that were responsible for serious competition, and they did not dare go on manufacturing in Sherbrooke in those competitive lines" (Ev. p. 7498)

13908 Lines manufactured in Sherbrooke were not competi-
13915 tive with any goods that had been quoted on and
there is no evidence that goods were coming in or
being sold at that time

22 13909 Dominion Textile issued orders to Kershaw on Jan.
24, 1936, to re-open mill on January 29

13909 Unqualified statements were made to Ministers as
to what was taking place in Canada, but the dele-
gation did not appear disposed to submit proofs

22 13909 Questions to be considered in connection with
attitude taken by industry on account of Japanese
competition

24 13909 It was necessary to curtail production at Sher-
13910 brooke, irrespective of Japanese competition, due
13915 to Mago being unable to handle Sherbrooke pro-
duction (Ev. p. 78)

24 13909 Stocks on hand at Sherbrooke in December 1934,
and January, February and March, 1935, and com-
parison of stocks on hand during December and
January in each year (Ex. 135)

24 16653 Production and Stocks reported by members of the
Silk Association of Canada from December, 1932
to April 1936 (Ex. 436)

24 13909 Silk companies produced rayon goods in 1935 at a
much greater rate than they were being consumed
in the Canadian market.

25 13910 Until January 15, 1936, there was no suggestion
of closing the Sherbrooke mill for any other
purpose than to curtail production

26 13910 Matters to be considered in determining the moti-
27-28 ve in closing the Sherbrooke mill

28 13910 Quotations by A.E. Fisher & Company on Japanese
27" plain rayon and 27" brocaded taffeta. (Ex.
148, Evid. p. 2073)

28 13911 Styles of rayon fabrics produced at Sherbrooke
at time of shut down.

29	13912 18950	18326	Evidence of G.B. Gordon of April 7, 1936, as to competition that had been experienced from Japanese goods up until that time
	13916		Dominion Textile purchases of rayon yarn from Courtaulds in January, 1936, were 81,562 pounds as against 64,050 pounds in January, 1935. Montreal Cottons purchases of rayon yarn were also higher in January, 1936 than in January, 1935
	13918		Canadian Cottons purchases of rayon yarn from Courtaulds for first six months of 1936 were 402,012 pounds as against 373,531 pounds for first six months of 1935
31			Suggested findings of Commission in regard to Dominion Textile Co. Ltd.
31	13953		Wage increase made by Dominion Textile Co. December 7, 1936, due to improved business, was designed to restore wages to level existing prior to 1933 cut
32	13919		Representations to the Government by <u>Associated Textiles of Canada Ltd.</u>
32	13925 16638 16642		Louiseville Mill closed December 14, 1935, for two days (P. 4410 and 4408). Marx says he does not blame it entirely on Japanese competition
32	13927		At the time representations were being made to the Government that the Louiseville mill was closing down on account of Japanese competition its production was being increased
	13927		Marx stated in May, 1936, that at that time he was experiencing no competition from Japanese goods
33	13928		Representations to the Government by <u>Canadian Cottons Limited</u>
33	13920	18336B	Letter from A.O. Dawson to Hon. C.A. Dunning dated February 25, 1936, stating that Japanese competition on both rayon and cotton fabrics is becoming increasingly serious each day as a result of which it has been practically impossible to make sales (Ex. 502 & 483, Evia. p.7367)
34	13932		Telegram from Canadian Cottons to Hon.C.A. Dunning in reference to reported landing at Vancouver of certain Japanese broadened rayon taffetas and stating "situation simply means gradual process strangulation Canadian Mills" (Ex. 504 & 129)

...ions to Government -
Associated Textiles Co.
Canadian Cottons Limited

34	13933	18335B	Letter from A.O. Dawson to Hon. C.A. Dunning, dated May 22, 1936, re possible closing of Milltown Mill on account of Japanese competition (Ex. 473)
35	13934	18346B	Dawson was unable to produce evidence of cancellation of orders attributable to Japanese competition (Exi. p. 7175)
35	13935	18340B	Purchases of rayon yarn by Canadian Cottons in first five months of 1936 were 239,678 lbs as against 204,802 lbs. in the same period in 1935, and in April, 1936, reached the highest point of any month in 1935 or 1936 (Ex. 732)
36	13936	18350B	Evidence shows that while Canadian Cottons threatened to close their mills they were increasing their purchases of raw materials
36	13936	18349B	6% wage increase in all mills announced by Canadian Cottons on December 4, 1935, due to considerably larger volume of orders booked during recent weeks. This restored wage cuts
37	13935	16659 16666	Evidence of buyers for large stores is that they were not buying Japanese fabrics in place of fabrics they had been purchasing from Canadian mills
37	13956		Deliveries of artificial silk fabrics by Dominion Textile, Montreal Cottons and Canadian Celanese were greater in January and February, 1936 than in the same period in 1935 (Ex. 129)
	13956		Canadian Celanese Company has made no complaint about Japanese competition
38	13954		There is no Japanese competition from Japan that seriously menaces the output of Canada mills
38	13965	18350B	Henry Johnson of Courtaulds stated his company had experienced no competition in the Canadian market from Japan
39	13967		Importation from Japan of cotton goods of a class or kind made in Canada have been practically negligible (Ex. 541 & 585)
39	13967		Tariff protection afforded Canadian Cotton manufacturers up to June, 1936, was 85% on and ad valorem basis as against 27.7% afforded the American manufacturer, and since June the American rate has been 39½% (Ex. 536 & 538)

No suggestion has been made to Commission that any other branch of the textile industry has been receiving any serious competition from other Japanese textiles

PART III

TARIFF PROTECTION

<u>AGE IN</u> <u>DRIFT</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KILLOCK'S</u> <u>REPLY-TAL.</u>	<u>S U B J E C T</u>
			<u>Introduction</u>
40	13989		Tariff protection should be considered in the interests of the consumers, the workers and the investors in the industry
40	13991		When the Government imposes a customs duty on article imported into Canada, it gives to the Canadian manufacturer of similar goods a right to impose on the consumers a private tax for his own benefit
41	13991		The extent of the tariff protection, the state of internal competition and the purchasing power of the consumer are the only regulators of the Canadian producer's power of taxation
42	13994		Theory of tariff protection is that an industry is to be protected while it is growing up
	13995		Consumers should not be asked to provide a return on the capital they have invested in a company
	13996		Textile industry should not be provided with a protection that will enable bankers and financiers to amalgamate mills and make millions out of such amalgamations
			<u>Protection Afforded the Textile Industry</u>
43	13998	17066 17077	Points which should be considered in studying the question of tariff protection
44			Tariff rates on cotton yarns, 1907 to 1936 (Ex. 804)
47	13999-A	17093 17097 17126	Protection afforded on No. 10 Single Warp Yarns, 1930 to 1936 (Ex. 820)
	13999-B	17080	Competition with No. 10 Single Warp Yarns would likely come from the United States
	14000		When the rate of exchange is against Canada it ensures to the benefit of the Canadian manufacturers, but whenever the currency of

another country is depreciated the Canadian manufacturer asks that dumping duty, currency dump, etc. shall be applied

14001
14156

Binn stated that the reduction to 3% of the duty on acetate yarns would result in materially increasing employment in his mills due to the fact that he would be able to use acetate yarns more freely than before

1400 14002

Size of Binn Mill has been increased 50% since reduction in duty on acetate yarns, according to Tremblay (This has not been substantiated)

14002

While tariff may protect the manufacturer of yarn for certain cotton mills and certain artificial yarn mills, it interferes with the right of these mills to purchase their yarns in the cheapest market

14003

Specific duty on cotton yarns was removed in 1936 budget

49 14003 17101

Comparison between Canadian and American mill spreads and selling prices of No. 10's Single, Cotton Warp Yarns (Ex. 821)

14005

Decline in mill spread in the United States between August 1933 and July 1934 was apparently due to a decline in prices

14006 17101

Canadian mills, despite tariff protection given in 1930 under pledges not to increase prices to consumers, increased their mill spreads and decreased wages

50 17102

Mill spread is the difference between the cost of raw cotton after deduction of the waste factor and the selling prices of the finished yarn

52 14007

Statement of mill wages and percentage of sales dollar in mill wages, Dominion Textile Co. Ltd., (Ex. 1230)

53 14008

Tariff protection on Cotton Warp Yarn, No. 30's twisted, 1930-1936 (Ex. 822 and 823)

53 14011

Excise tax gives additional protection to the Canadian manufacturer.

14011

Raw cotton is duty-free but subject to excise tax

54	14012		Comparison between Canadian and American mill spreads and selling prices of No. 30's twisted Cotton warp yarns (Ex. 823)
	14015		N.R.A. became effective July 16, 1933
56	14014		Tariff protection on No. 30's single warp yarns 1930 to 1936 (Ex. 824)
57	14014	17130	Tariff protection on No. 30's single, hosiery yarns, 1930 to 1936 (Ex. 825)
59	17	17135	Duties on cotton yarns to weavers were increased in 1930, but there was no increase in duties on yarn for knitters. The result was that the large manufacturers of yarns who were also weavers were given a monopoly on the cotton yarn business of Canada

Cotton Fabrics

60	14015		Duties on Cotton Fabrics, 1907 to 1936 (Ex. 826)
	14018	16945	Present tariff rates on cotton goods are not lower than they have been for the greater part of the period since 1897 (Ex. 828)

Memorandum of Law

61	14026	17956H 17145	Valuations for duty are made under Section 35 of the Customs Act
62	14031		Fair market value is further defined by Section 36 of the Customs Act
62	14032	16458	Sub-section 1 of the section 36 of the Customs Act was repealed and sub-section 2 amended on September 17, 1930
62	14035		Protective effect of amendment to Section 36
63	14036		Sub-section 1 of Section 36 was repealed in 1934 and a new section added as Section 36-A making it possible to give a preference to one country over any other
	14037		United States has a consumption tax; Japan has a consumption tax which is in the nature of an excise tax; and in Great Britain there is an excise tax on artificial silk amounting to 6d. per pound

- 63 14038 In June 1936, Sub-section 2 of Section 36 was
14118 replaced by a new section, the effect of which
was to determine the basis on which the reason-
able advance for selling cost and profit is to
be determined instead of leaving it to the jud-
gement of the Minister
- 64 14039-A Section 41 of the Customs Act, paragraph (a) of
Subsection 1 was amended April 22, 1936, to ta-
ke care of cases where an American manufacturer
who sells direct to wholesalers in the United
States sells to a national distributor in Canada
at a lower price than the price to the wholesalers
in the United States

Fixed Valuations

- 65 14041 Prior to September 1930 Section 43 of the Customs
14076 Act applied only to natural products. In Septem-
ber 1930 it was amended to apply to goods of all
kinds
- 66 14043 Section 43 was further amended in 1933 to limit
the provisions of the section to goods not enti-
tled to entry under the British Preferential or
any lower tariff
- 14045 Section 43 was applied to artificial silk fabrics
and made their entry into Canada almost prohibiti-
ve
- 14044 Delegation to Ottawa on January 14, 1936, request-
ed Ministers to have valuations under Section 43
restored
- 66 14050 Tariff Board ruling that the Department of
National Revenue was in error in maintaining
fixed valuations on British goods after the
1933 amendment to Section 43 was thrown out by
the Supreme Court
- 14054 In June 1936, Section 43 of the Customs Act was
further amended by adding Sub-section 3, which
provided for appeal to the Tariff Board against
fixed valuations

Currency Valuations

- 67 14067 Section 55 of the Customs Act gives the Governor-in-Council power to proclaim the rate of exchange
- 68 14068 In 1935 Sub-section (9) (a) was added to Section 5 of the Customs Tariff Act to fix the rate of exchange on depreciated currency in computing value for duty of goods imported. This gives additional power to levy duties on the difference between the value of the goods at the current rate of exchange and the value of the goods at the proclaimed or fixed rate of exchange

Special or Dumping Duties

- 68 14065 Prior to September 1930 Section 6 of the Customs Tariff Act had only a limited application. This Section provided for special duties where the selling price to an importer in Canada was less than the fair market value when sold for home consumption
- 69 14067 Dumping duties did not apply on goods on which the duties otherwise established were equal to 50% ad valorem
- 14067 In addition to the tariff increases which benefitted Canadian industry, there were a great many statutory changes that increased the protection
- 70 14069 Paragraph 4 of Section 6 deals with dumping duty on goods shipped on consignment
- 71 14069 Paragraph 5 of Section 6 gives power, after goods have been passed through Customs to go back and assess the importer for any duties that have not been paid which ought to have been paid.
- 70 14070 On September 22, 1930, Section 6 of the Customs Tariff Act was repealed and a new Section 6 substituted
- 14072 When the fair market value of artificial silk was \$1.25 per pound under Section 43, special duty was assessable on the difference between the selling price abroad and the \$1.25 per pound
- 73 14080 18486 In 1931 Sections 2 to 18 of the Customs Tariff Act were repealed. In 1933 Section 6 was amended by adding Sub-section 9
- 14081 Customs laws should be simplified so that they may be interpreted and understood by anyone

73	14095		Mr. McNair's interpretation of Sub-section 9 of Section 6 of the Customs Tariff Act
	14096		Selling price means invoice value
74	14104		In July, 1934, Section 6 was amended by adding Sub-section 2A. This provided that whenever it is deemed expedient to do so, excise duties or excise taxes in whole or in part shall be disregarded in estimating the value of special duty
	14105		Sub-section 2A was used in connection with the United States processing tax on cotton
74	14106		In 1935, Sub-section 1 of Section 6 was repealed and a new sub-section 1 substituted. This provides for exemption from dumping duty articles which cannot be purchased from a Canadian manufacturer for re-sale in Canada
75	14108		In 1936, Sub-section 10 was added to Section 6 and an Order in Council passed which provides that an article shall not be considered of a class or kind made in Canada unless it amounts to 10% of the normal Canadian consumption
	14110		Chronological summary of action taken in regard to the exchange rates between Canada and Japan, 1918 to 1937
			<u>Practical Application of the Law</u>
76	14111 14124 14127	17140	Table showing American selling price and duties payable on Cotton fabrics in the grey when imported into Canada, 1930 to 1936 (Ex. 829) This illustrates the effect of the change in the tariff
77	14115 14130		On April 7, 1932, under the provisions of Section 36 (2) an appraisers bulletin was issued, the effect of which was to fix minimum values for duty purposes on cotton fabrics imported from the United States (Ex. 827)
	14115 14130		Difficulty of obtaining costs of production, Section 36(4) of the Customs Act provides for review by the Board of Customs of the decision of any appraiser or collector as to the principal markets of the country, or as to the fair market value of goods for duty purposes
78	14125		Bulletin fixing minimum values for duty purposes on cotton fabrics imported from the United States was withdrawn on September 5, 1933, due to the

selling price in the United States under the N.R.A. being as high as the prices shown in the appraisers bulletin

14135

Home market valuation is now accepted on cotton fabrics imported into Canada from the United States

14136

Fixed valuations under Section 43 of the Customs Act is still in effect under the General Tariff

14138

14142

Tariff increased can be made by increased valuation without consulting Parliament. This is done on representations from the industry

14139

Department must act on the cost of production abroad, plus a reasonable advance for selling cost and profit

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14139

Table showing additional duties imposed on cotton grey goods due to valuations under Section 36 (8) (Ex. 827)

80

14133

Table showing additional protection over regular customs tariff schedule afforded by the special valuation

14135

It is not the present policy of the Department of National Revenue to use Section 36 of the Customs Act to enhance the fair market value without regard to the cost of production of the individual exporter

82

14136

Table showing Canadian and American selling prices and mill spreads on 40" sheeting, 1930 to 1936 (Ex. 830)

83

14136

Mill spreads in Canada in 1934, 1935 and 1936 were very substantially above the mill spreads in the United States, while Canadian mills were operating under a reduced wage rate and the United States under increased wage rates

14137

Reduction in mill spread of American mills is due to decline in selling prices

14138

Canadian selling price went up with the American selling price

14139

Highest Canadian mill spread on 40" sheeting was 19.44¢ (August, 1934) (Ex. 830) Textile companies showed good earnings in 1934, which partly reflects the reason for the high mill spreads

- 84 14141 Table showing American selling price and duties payable on 44" Print cloth in the grey when imported into Canada, 1930 to 1936 (Ex. 821)
- 85 14144 Bleached cotton fabrics and piece dyed and printed fabrics are affected by the Customs Tariff to the same extent as cotton grey goods (Ex. 836, 839, 840, 843, 844, 845, 846)
- 85 14144 Importation of cotton goods diminished under these tariffs
- 85 14146 Customs duties on yarn dyed fabrics imported into Canada from the United States and 1932 appraisal of denims and chambrays based on the price of raw cotton in New York (Ex. 849)
This appraisal bulletin was cancelled in 1934
- 86 14147 Customs duties on Cotton Flannelette imported into Canada from the United States were based on a fixed valuation after December 12, 1931 (Ex. 855 and 847)

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WELLOCK'S
REBUTTAL

S U B J E C T

Artificial Silk Yarns

- 89 14150 Tariff on artificial silk yarns was first imposed in 1923; prior to that time they came in under the cotton tariff
- 14152 Any protection afforded the manufacturer of artificial silk yarn should be a very modest one
- 14159
- 14152 Courtaulds commenced the manufacture of viscose yarn in England about 1908
- 14155 Canadian Celanese Limited will not sell their acetate yarns to the weavers on a fair basis
- 14352
- 89 14155 In 1934 the ad valorem and specific duties on artificial silk yarns were reduced under the British Preferential (Ex. 807)
- 14357
- 89 14154 In 1936 tariff item covering artificial silk yarns was split into two items, acetate and viscose, acetate yarn under the B.P. being subject to 3% ad valorem and no specific duty (Ex. 807)
- 14264
- 14357
- 14155 Commercial production of rayon yarn commenced about 1890
- 14156 Viscose yarns are imported from England, woven in Canada and the fabric exported to England
- 14157 It has been denied that there are world cartels in artificial silk

Viscose Yarns

- 90 14157 Tariff protection on artificial silk yarn was heavily increased in 1930 (Ex. 863 & 864)
- 90 14159 Canadian weavers in 1936 paid 65% a pound to the Canadian manufacturer for yarns which except for customs duties, they might buy in the Netherlands for 34.31% per pound
- 91 14160 Rates of duty on 100 denier, 21 filaments yarn produced in Great Britain (Ex. 865)

Acetate Yarns

- 91 14160 Reference No. 38 to the Tariff Board is a final report except in regard to ply yarns

Artificial Silk Woven Fabrics

- 92 14164 Customs duties on artificial silk woven fabrics
14317 1933 to 1936 (Ex. 807)
- 92 14166 If a cotton fabric contains any artificial silk
whatever it is classified as artificial silk
- 14167 At one time the rate of duty was lower on fabric
composed wholly of artificial silk than on fa-
brie composed in part of artificial sil, but in
1930 the rate became the same for any fabric
whether composed wholly or in part of artificial
silk
- 14168 Prior to 1930 the rate of duty on artificial silk
under the British Preferential was lower than the
rate of duty on some cottons
- 14169 Prior to 1930 there were many cases where the
tariff items were split so that the lower priced
goods were on a lower scale of tariff and in
1930 they were all put together on the one higher
scale
- 93 14170 On December 18, 1931, Order in Council P.C.3013
was passed authorizing a fixed valuation for du-
ty purposes of \$1.35 per pound on woven silk fa-
bries composed wholly of artificial silk (Ex. 847)
- 93 14170 17153 King Ray fabric of Montreal Cottons was \$1.85
per pound, but after receiving some competition
from Japan it dropped to \$1.60. It is still 37¢
a lb over the corresponding price in the United
States. In other cases the Canadian prices are
lower than the American prices (Ex. 866 and Exid.
p. 11977)
- 93 14171 Mill spread on Canadian Cottons 27" plain rayon
taffeta was \$1.06 per pound on October 31, 1931.
On the 12th of December, three days after the
fixed valuation went on, the Canadian mill spread
was \$1.34 a pound and the price was increased by
19¢ a pound (Ex. 867)
- 14171 Canadian mills did not carry out the spirit of
the undertaking not to increase prices given to
the Government in 1930, in view of the decline in
world prices, the special valuation put on and
the increase in Canadian mill spread and prices
and at the same time a decrease in wages they
paid

14171

How little the price of rayon fabric was governed by the price of the rayon yarn is shown in an examination of Ex. 867

95

14172

In February, 1936, although the price of rayon yarn had dropped to 70¢ a pound, the price of the fabric was \$2.01 with a mill spread of \$1.31 being the largest mill spread of any period from 1931 to 1936 (Ex. 867)

14173

Canadian Cottons was the company which made such strong representations for tariff increases in 1930, and was the company which made the greatest protestation that it was going to suffer from Japanese competition

Natural Silk Fabrics

14172

Tariff items on natural silk fabrics have been in effect since 1907 at least, but there has been very little broad silk industry, if any, in Canada prior to 1923

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14173

Customs duties on natural silk fabrics, 1907 to 1936 (Ex. 809)

14173

14178

14180

There is no evidence before the Commission that prices that have been charged by the members of the broad silk industry in Canada have been excessive. The evidence is rather the other way.

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14173

17155

Switzer, buyer for T. Eaton Co., stated that in the silk trade where the tariff is prohibitive, the price is 25% less than before the tariff increases, attributing this to internal competition and the low price of raw silk (Evi. p. 6703)

96

14174

In 1930 there were 9 weavers of silk fabrics in Canada and by 1935 there were 16 (Ex. 916)

1474

Unless these mills are subjected to competition from abroad, steps will be taken to eliminate competition between them and they will merge and amalgamate to the detriment of the consumers and the workers

14176

A lower tariff would protect the consumer should there be any effort on the part of the silk mills to get together and raise prices to such an extent as would be unreasonable to the consumer

14177

Section 17 of the Customs Tariff Act provides for the reduction or abolition of duty if advantage is taken of the duty to increase prices to the consumer

	14178		To prevent mergers, amalgamations and trade agreements, the primary step is a tariff protection that would not make things so profitable that the companies could do this
	14179		The tariff should never be so high that if people are taking undue advantage of it foreign goods would not flow in
			<u>Blankets & Rugs</u>
97	14181		Tariff protection to the manufacturers of blankets and rugs is out of all proportion to what one would think should be normally required
97	14181 14186		Customs duties on blankets, 1907 to 1932 (Ex. 814)
98	14188		Customs duties on rugs (automobile and steamer) 1907 to 1932 (Ex. 814)
98	14188 14190	17187	Effect of rates of duty prevailing since January 1933 on cotton and woolen blankets (Ex. 871) Blanket manufacturers made very heavy profits during the depression years
	14192 14193		Canadian manufacturer of blankets is taking advantage of the high tariff to enhance usually the price of his article to the Canadian consumer
99	14194		Comparison of Canadian and American mill spreads on blankets in January and February, 1936 (Ex. 872)
100	14197		Customs duties on cotton blankets imported from the United States prior to 1933 and 1933 to 1936 (Ex. 873)
	14201		Exhibit 873 is a concrete example of a prohibitive tariff giving to a few manufacturers a complete monopoly of the Canadian market
	14204		There can be no attempt made to justify a duty on any basis except as a prohibitive duty
101	14206		Comparison of Canadian and American mill spreads on cotton blankets (Ex. 874)
101	14212		<u>Carpets and Floor Rugs</u> Customs duties on carpets and floor rugs, 1907 to 1935 (Ex. 815)

	14216		Some of the methods used to raise the price of carpets in Canada
104	14219		Exhibit 876 does not exaggerate the unfairness of the specific duties to the consumer of low priced goods
			<u>Knit Goods</u>
105	14220		Customs duties on knit goods, 1907 to 1936 (Ex. 812)
	14223		No concessions were made on knit goods in 1933 under the Most Favoured Nation Treaty
107	14225 14267	17157 17158	Additional protection was given manufacturers of Wool Jersey Cloth and Cotton Stockinette by advances made under an appraisers bulletin on the true invoice value at the place of export. This appraisers bulletin was withdrawn on Dec. 27, 1935, (Ex. 878 and 1335)
108	14228	17166 17167	Table showing the effect of this bulletin on wool jersey cloth imported from Great Britain and from the United States (Ex. 879)
109 110 111	14232		The effect of the appraisers bulletin was to raise the duties and taxes collected on an ad valorem basis from 49% to 92%, while the effect of the imposition of specific duties in 1933 was to raise the duties and taxes collected on an ad valorem basis from 92% to 123% (Ex. 879b)
111	14232		Imposition of specific duties in 1933 resulted in increasing the duty on an ad valorem basis on cotton underwear imported from Japan from 117% to 244% (Ex. 879c)
111	14233		Imposition of specific duties on knitted artificial silk sweaters from Italy was to increase the duty on an ad valorem basis from 29% to 84% (Ex. 879d)
111	14233		Imposition of specific duty on cotton stockinette was to increase the duty, on an ad valorem basis, from 29% to 88% (Ex. 879e)
111			No change has been made since 1933 in rates of duty on knitted cotton fabric when imported by manufacturers of rubber boots and shoes for use exclusively in the manufacture of such articles.

Woolery

- 112 14233 Customs duties on woolery, 1907 to 1936 (Ex. 513)
- 14236 10% discount under the British Preferential Tariff
14270 applies when goods are transported direct to a sea
lake or river port of Canada

- 114 14237 Table showing imports into Canada of socks and
stockings in 1930 and 1936, and how customs duties
have practically eliminated competition from out-
side Canada

British and Foreign Excise Taxes

- 114 14239 From August, 1933 until July, 1934, the amount of
the recessing tax in the United States was includ-
14265 ed in estimating the value for regular and special
duty. This is now disregarded

- 114 14240 In Great Britain an excise tax is levied on arti-
ficial silk yarns amounting to £4. a pound. Prior
to July 3, 1934, this tax was 1/- a pound. This
tax is not payable on goods manufactured for ex-
port but is included in estimating the value for
regular duty even though it is not included in
the selling price to the purchaser in Canada. On
export a drawback of a shilling is allowed

- 14245 Statement showing Canada's imports of textiles
with duty collected thereon, also average and
valorem rates of duty from 1907 to 1936 (Ex. 1324)

- 14264 Hellock says it takes a very high duty to keep
Japanese goods out

- 115 14262 In Japan, manufactured goods are subjected to a
10% consumption tax, but this tax is not levied
on goods exported

- 14263 Japanese consumption tax has been disregarded
since 1934

- 14265 Importations of viscose yarns from the United
Kingdom for 9 months ended December 31, 1933,
and calendar year 1935

- 14267 During strike in 1936, Courtaulds (Canada) Ltd.
imported from Great Britain 303,311 pounds of
viscose yarns and 73,763 pounds of acetate yarn

- 246 14269 Articles 10 and 11 of the Canada-United Kingdom
Trade Agreement of 1932 form some basis for the
guiding principles to be applied in considering
profits and investments in relation to tariff
protection

14641

Brief on Dominion and Provincial relations
prepared by Hon. Herman Mel. Rogers, for
the Province of Nova Scotia (Ex. 1328)

14655

Report of the Royal Commission Provincial
Economic Enquiry of the Province of Nova
Scotia, 1934 (Ex. 1329)

1733
11794

Processing Tax in United States
in effect from August, 1933 to
January 6, 1935.

P A R T IV

INVESTMENTS, PROFITS & COSTS

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S U B J E C T

Introduction

116	14274	17624H 16684	Consumer's primary right is to buy goods at free trade prices and when prices are increased above that level he is being taxed for the benefit of home industry
117	14275		Basis on which the consumer has been called upon to contribute to the support of the industry and what has been done with the money contributed for that purpose
117	14276		Where an industry is doing an export business the Canadian Consumer is not contributing to the support of the industry
117	14277	17617H 16694	Where a protected industry does no substantial export business, all capital created through the operation of the business, over and above a reasonable return to the investor on capital invested by him, has been contributed by the consumer and not by the investor
	14281		Underlying principle of a protective tariff is to induce an infant industry to start and to give it an opportunity to grow
	14284		Industry is only entitled to a return on capital invested by shareholders and not on capital invested by consumers
	14285		Consumers can not be called upon to be subject to taxation forever simply because of the basis on which manufacturers choose to run their industries
118	14287	17616H 17633H 17692	A portion of earnings on capital employed in operations and in many cases the greatest portion has been provided by the consumers of Canada and not by the investors
	14288		Beward and McKuer disagree on real meaning of the term "investment"

- 14290 To determine the extent of the protection that must be given to the industry as a whole a well-managed representative company must be taken as a standard
- 14292 Ratio of earnings to the value of the investment is an erroneous basis on which to consider the return in respect to the power of taxation given to the industry
- 14295 Syndicate invested \$1,000,000 for which they obtained in Preferred Stock \$300,000 and \$5,000,000 in Common Stock
- 14297 Elimination of competition among the four merged companies was of great intangible value to the Dominion Textile Co.
- 14299 The consumer has a right and would be able to buy in the cheapest market if it were not for the protective tariff
- 14302 Points which should be considered in fixing
14310 tariffs
- 14303 Discussion as to what constitutes a "reasonable return"
- 14305 Tariff protection should not be designed to give more than a reasonable profit
- 14306 If the tariff is not reduced for the benefit of the consumer, then, any profit earned on capital provided by the consumer should go to the wage earners
- 14306 Zeiss Co. in Germany shares its profits with its employees
- 14307 Unless a company adopts such a procedure voluntarily, it could not be done by law
- 14308 Consumers should not have to go on forever supporting one pyramiding of stock upon another
- 14641 Brief on Dominion and Provincial relations prepared by Hon. Norman McL. Rogers for the province of Nova Scotia (Ex. 1328)
- 14665 Report of the Royal Commission Provincial Economic Enquiry of the Province of Nova Scotia, 1934 (Ex. 1329)

ARTIFICIAL SILK DIVISION

Cellulose Acetate Yarns & Fabrics

119	14311	Canadian Celanese Limited weave 99% of their yarns and the amount they sell to the traders is practically negligible
119	14312	History of Canadian Celanese Limited
	14313	Canadian Celanese is owned and controlled from abroad
120	14313	Capitalization of Canadian Celanese is \$9,980,500
121	14314	For the 7 years ending December 31, 1935, Canadian Celanese had net profits from operations amounting to \$6,586,626.36 and \$1,062,114.22 revenue from outside investments
121	14314	Profits from last three years of operation have shown a great increase
121	14314	In 1935 Canadian Celanese surplus and special reserves and reserves for contingencies amounted to \$2,955,150.87
121	14134	Write off in 1935 for depreciation of buildings plant and machinery amounted to \$1,725,800 and \$1,175,100 was charged to operations for repairs to plant and machinery
	14314	Charges to plant and machinery and to depreciation were all charged before the net profits were arrived at
	14315	Canadian Celanese during the seven years of the depression earned in net profits more than the total amount of cash invested in the Company
	14316	Competition in acetate yarns comes mainly from the Netherlands and Italy and not from Great Britain. The importations from Great Britain since the duty was reduced to 5% has not been large

121	14325	Percentage of net profits on operations to sales in 1934 and 1935 was 25.58% and 23.8% respectively. Net revenue applicable to capital employed in operations was 16.6% and 17.2% respectively (Ex. 1201)
	14325	Explanation as to how net profits are arrived at by Commission Auditor
	14328	The return on capital invested by the investors is a much better criterion than anything else to know how investors have got along
122	14330	Executive salaries paid by Canadian Celanese are excessive (Ex. 1199)
	14331	Canadian Celanese employes 2, 100 workers
	14331	Customs duties under the Intermediate and General tariffs should be reduced so that Canadian weavers may get acetate yarns from other countries
	14331	Canadian weavers are unable to weave acetate cloth in competition with Canadian Celanese
122	14332	During the depression years, for every \$33.00 that went to the wage earners, \$28.20 went to the higher salaried employees or the investors
		<u>Viscose Yarns</u>
123	14333	History of Courtaulds (Canada) Limited
134	14333	In 1934 total capitalization of company was \$8,000,000 for which \$5,551,084.50 was received in cash, the balance of \$2,448,915.50 being charged to goodwill, patents and trade marks
	14333	Of the \$5,551,084.50 cash investment in the Company a considerable portion of it was cumulative profit that had been made in the business
124	14333	Since the Company commenced operations in 1936, the total profits, before depreciation, amounted to \$10,485,152.87 of which \$4,553,352.09 was charged to depreciation, leaving a net profit after depreciation, of \$5,931,800.78 or 17% on sales

124	14334	Since 1926 the Company charged to operations for repairs to buildings and machinery \$1,856,896
124	14334	During 1926, 1927 and up to September 1928, the the business was carried on a branch of the English company, net profits amounted to \$1,245,739. This was credited to the English Company and invested in the capital stock of the Canadian Company
124	14335	The present position of the affairs of Courtaulds (Canada) Limited is as follows:- Total investment in lands, buildings and machinery <u>\$9,661,007.90</u> Written off to Depreciation, since commencement of operations 4,776,980.70 Reinvested in land, buildings and machinery from profits realized by English Company up to Sept. 1928 1,245,739.00 Written off to Goodwill Account 1,305,915.00 Surplus Account 1,028,548.00 Paid in dividends <u>1,567,800.00</u> <u>\$9,924,682.70</u>
125	14335	Consumers of Canada have contributed more than sufficient to pay for the whole plant in ten years of operation
125	14337	Comparison of financial position of Courtaulds and Canadian Celanese
126	14338	Executive salaries of Courtaulds are very much lower than the salaries paid by Canadian Celanese (Ex. 1276)

DOMINION TEXTILE CO. LIMITED

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>HEWARD'S</u> <u>REBUTTAL</u>	<u>S U B J E C T</u>
127	14345		Chart showing the amalgamations and mergers that culminated in the Dominion Textile Co., Ltd.
130	14348 14361		Nine individual cotton companies were merged into Dominion Cotton Mills Ltd in 1890
130	14348		Chambly Mill and the Slater-Winzy were taken over in 1891
131			Values placed in 1894 on the 11 companies merged into Dominion Cotton Mills
	14346		In 1903 three additional companies (Merchants, Montmorency and Colonial) were taken with the Dominion Cotton Mills to form the Dominion Textile Co., Ltd.
	14346		In 1910 Dominion Textile leased the Mount Royal Spinning Mill from Canadian Cottons and purchased it from them in 1920
	14347		Dominion Textile Co. re-organized in 1922
	14347		In 1929 Drummondville Cotton and Sherbrooke Cotton Co., Ltd. were acquired by Dominion Textile Co., Ltd this bringing 17 companies into the amalgamation
	14347		In 1930 Dominion Textile Co., Ltd. acquired a controlling interest (54%) in Montreal Cotton Company
138 163	14349		Financial history of Hudson Cotton Company
163	14351		La Compagnie de Filature S ^{te} Anne Ltée and Hudson Cotton Company merged with Hochelaga Cotton Co. in 1883
			<u>Dominion Cotton Mills Co., Ltd.</u>
163	14351		Magog Textile & Print Co. purchased by Hochelaga Cotton Mfg. Co. in 1889 and the business of the two companies was absorbed in the merger which took place on the organization of the Dominion Cotton Mills in 1890

165	14354	For every three shares that a shareholders held prior to 1878 he would now hold 15.20 shares
165	14354	Dominion Cotton Mills paid dividends from 1890 to 1892 of 10%, 8% from 1893 to last quarter of 1895; 6% from 1895 to 1902
165	14355	Profits on Sales of Dominion Cotton Mills, 1894 to 1904
128	14358 14361 14362	Amalgamations and mergers of the cotton mills resulted in a number of these mills being closed down and employment decreased
132	14363	Although Directors of Dominion Cotton Mills expressed disappointment because the 1894 tariff was 5% less than they had tried to secure, the profits that year amounted to 12½% on sales
132	14364	Dividends paid in 1895 amounted to 7½% on the outstanding capital, but on the inflated capital it amounted to about 20%
133	14364	Dominion Cotton Mills in 1896 had a surplus of assets on capital of 36%
133	14365	Directors Report in 1897 again complained of competition from Great Britain and the United States and the tariff situation (Evi. p.5732)
134	14366	In spite of competition and tariff uncertainty Dominion Cotton mills added to the Hochelaga Mill and improved the Magog property. Profits on sales were 9½%
134	14366	Drastic changes in the management of the Company in 1898 and C.R. Whitehead appointed Manager. Profits on sales were 11%
134	14366	Very great improvements made in machinery and construction of the mill in 1899. Profits on sales 14.8%
133	14368	In 1900 plants at Magog, Hochelaga, Ste Anne and other points were enlarged and a By-law ratified to provide for the issue of \$1,000,000 Preference stock. Profits on sales 9.4% (Evid. p. 5742)

136	14369	Annual report of 1901 stated that exemption from municipal taxation had been obtained at Magog and also at Kingston for 20 years. Profits on sales were 18.33% (Evi. p. 5745)
136	14370	Dominion Cottons decided not to send out a report to the shareholders as no other manufacturing company did this in 1901
136	14373	Quarterly dividend passed on Dec. 1, 1901 (Ex. p. 5747)
137	14373	Company suffered loss due to purchase of raw cotton at high figures and not having sold its manufactured goods at a proportionate advance (Evi. p. 5748)
	14375	Gordon says a futures market existed at that time (1900-01) if Dominion Cottons had desired to use it
137	14375	At Board Meeting on January 29, 1902, the President of Dominion Cottons reported a proposal had been received for the acquisition of the Merchants Cotton Company (Evi. p. 5748)
137	14376	Shareholders report of April 7, 1902, it was stated that trade had been demoralized by reduction of prices in the American and English markets. (Evi. p. 5752) Management was blamed for losses and Directors asked for resignation of the management. A selling agent was appointed
138	14376	Shareholders report of April, 1903, stated results for the year had been very satisfactory. Profits on sales amounted to 8% (Evid. p. 5754)
138	14377	Meeting of cotton mill representatives called by Mr. Clouston "with a view to bringing about a better relationship between the three companies which are now competing with one another" (Evid. p. 5755)
139	14378	Shareholders report of April 28, 1904, stated that the result for the year had been very satisfactory. Profits on sales amounted to 7.6%
	14379	Six members of the Syndicate out of 16 were shareholders of the constituent companies

	14383	During 1903, when the Canadian Cotton Companies were complaining about the large importations from Great Britain they were experiencing the high water mark of sales in Canada
	14383 14410	Percentage of profits on sales is not a firm basis on which to reckon a company's prosperity
139	14384	At Directors Meeting on December 14, 1904, the proposal of a Syndicate to acquire the capital stock of Dominion Cotton Mills, Merchants Cotton Company, Montmorency Cotton Mills and Colonial Bleaching and Printing Co. was put forward
140	14384	The Syndicate was composed of 16 men and was organized for the purpose of incorporating Dominion Textile Co. Ltd.
140	14431	Names of members of Syndicate and amount subscribed by each (Exo. p. 5621-2)
	14385	S.H. Ewing persuaded shareholders of Montreal Cottons not to sell their shares to the Syndicate
142	14386	Prices offered by Syndicate for shares of the four cotton companies (Ex. 329)
143 166	14388 14453	Members of the Syndicate subscribed \$1,000,000 to the Syndicate for which they received \$500,000 in Preferred Stock and \$5,000,000 in Common stock
	14389 14391	Dominion Textile Company entered on its books as goodwill the \$4,500,000 difference between the \$5,000,000 of Common Stock and the \$500,000 paid for it by the Syndicate. This amount for goodwill was subsequently reduced by \$2,100,000

14930			Classco says that no assets in excess of \$2,000,00 were written off by Dominion Textile prior to 1910 and that the amount was \$350,000
14931			A substantial portion of the \$2,100,000 goodwill shown on the books of Dominion Textile Co. had been shown on the books of Dominion Cotton Company
14392			Dominion Cotton shares were carried on books of Dominion Textile Company at \$1,500,000 the amount of the securities issued for them
14392			Terms of the Syndicate Agreement.
143	14393		As the Royal Trust Company was not successful in obtaining 100% of the stock of the Dominion Cottons or the Merchants Cotton Co., Dominion Textile Co. got around the difficulty by renting these two mills at a rental sufficient to pay 4% on the capital of the companies plus bond interest
143	14394		Shareholders of Dominion Cottons entered a lawsuit against Dominion Textile which eventually reached the Privy Council. The decision of the Privy Council was in favour of Dominion Textile Company
144	14395		Provisional Directors of Dominion Textile Company
144	14395		First Annual Meeting of Dominion Textile Company held on May 31, 1906. (Evi. p. 5853) One of the advantages of the amalgamation pointed out to shareholder was that the Company could manufacture different lines of goods at the mills best adapted to produce them, thereby getting longer runs of cloth and saving on the constant changing of looms
144	14396	17690H	\$200,00 was spent for betterments and repairs and taken out of expenses (Evi. p. 5858) At this time there were no regular write-offs for depreciation and the Company's method was to write certain betterments off profits
144	14397		At Annual Meeting of May 30, 1907, the Chairman stated inventory valuations "had been taken on a very conservative basis" to meet the possibility of future slumps

	14399	Chairman also stated "these have been very prosperous times for the cottonbusiness" whereas in 1904 they complained about competition from Great Britain and the Preferential tariff. The bad times apprehended under a low tariff did not come
145	14400	At Annual Meeting held in May, 1908, it was reported that \$850,472.78 had been spent during previous three years for repairs, improvements to plants, and new machinery, all this amount being charged to working expenses and no increase made to fixed assets (These plants did not require as much money to keep them up before there was an income tax)
145	14401	Owing to business depression and low tariff, Company stated it had been necessary to operate mills on short time and reduce wages. This brought about a strike (Evl. p. 5864)
146	14401	Original investors at this time (1908) received \$250,000 in dividends on the Common Stock for which they paid \$500,000 in 1905
	14403	Number of workers employed for each year, as shown by Minute Book, is only an approximate figure
146		At Annual Meeting of May 27, 1909, the Chairman stated that the strike had been settled and that nearly all the hands had returned to work at Magog
147	14403	At Annual meeting of May 30, 1910, it was stated that the capacity of the Magog Print Works had been increased thereby centralizing all the printing at one place and reducing operating and other expenses (Ev p. 5872)
147		In September 1910, Dominion Textile leased from Canadian Cottons the Mount Royal Spinning Mill for 10 years with an option to purchase
147	14404	At 1912 Annual Meeting it was stated that the Company had orders on hand sufficient to keep the mills operating at full capacity for some time
148	14404	At 1913 Annual Meeting it was reported that a new mill had been erected at Magog; 300 additional looms installed at the Mount Royal Mill and an extension to the Ste Anne Mill was under construction

148	14405	At 1918 Annual Meeting the Chairman stated that since the outbreak of the war the Company had added a large number of lines not previously made in Canada
149	14406	In 1917 dividends were increased from 6% to 7% on the \$5,000,000 of Common Stock
150	14407	In 1918 considerable business was received from the United States due to war orders
150	14408 14410 14411	In 1919 it was reported that the supply of labour had improved and that a pension fund system was to be inaugurated
155	14421 14445	
151	144099	Wages were 50 to 100% higher than in 1914
	14410	The price of raw cotton in 1919 was 40¢ per pound
151		Mount Royal Mill purchased by Dominion Textile Co. in 1920
151 175	14495	Cost of equipping a cotton mill with automatic looms in 1914 was \$30.00 a spindle or \$1200 per loom. Cost in 1920 was \$65. 0 per spindle or \$3400 per loom
151		Addition made to Magog Mill, increasing its capacity from 64,000 spindles to 93,000 spindles
152	14409	Chairman stated at 1920 Annual Meeting that the reserve which had been set up was ample for all purposes (Ex p. 5900)
152	14412	By May 1921, the business of Dominion Textile Company was concentrated at seven points :- Montmorency, Magog, Rocheleau, Merchants, Mount Royal, Verdun and Ste Anne-plants at Halifax, Windsor and Moncton were closed (Ex. p. 5904)
152	14413	A bonus of \$35,000 was paid to Sir Charles Gordon and \$7,000 to Sir Herbert Holt in 1921 (Ex. p. 5905)
153	14414	Annual Report of 1921 stated that prior to the rise of approximately 10¢ a pound in raw cotton in September and October 1921, the company had purchased several months supply and that had contributed to the satisfactory results shown

153	14417	Although Dominion Textile Company complained about the tariff reduction in 1922, in 1923 it split its shares three for one and paid \$600,000 in dividends on the Common Stock
155	14420	
	14421	
	14418	Record of dividends paid on Common Stock from 1919 to 1923
154	14419	Dominion Textile Company re-organized in 1922
154	14419	From 1905 to 1924 Dominion Textile paid 2½% in dividends on Common Stock
154	14419	At 1924 Annual Meeting it was stated that strong financial position of the Company was due largely to the increased value of the properties acquired in 1905 (Evi. p. 5930)
	14420	When 1920 appraisal was made, if the Company had really earned its profit, they were increasing the capitalization on the strength of the profit that had been earned
155	14421	Pension Fund required \$7,000 per annum for past seven years and \$10,000 for 1924 (Evi. p. 5938)
155	14421	At 1925 Annual Meeting the Chairman pointed out that of 97 Lancashire Cotton Spinning Companies only 57 paid dividends amounting to 1½%, the other 40 companies being unable to make any payment
156	14422	At 1926 Annual Meeting it was stated that 50% of the imports could be eliminated if the Co. had the opportunity of working under an equitable tariff
	14423	Imports of cotton goods into Canada during 1926
	14424	
	14427	Stevenson, Blackader & Co., were selling agents for the Dominion Cotton Company (Evi. p. 5764)
	14427	Letter from Royal Trust Company offering to purchase the shares of Montreal Cottons was received on May 30, 1905
	14427	List of Directors of Montmorcency Cotton Mills Ltd. (Ev. p. 5823)
	14428	List of Directors of the Colonial Bleaching & Printing Co. 1904 (Ev. p. 5840)

	14426	List of Directors of Merchants Cotton Co., 1903 (Ev. p. 5788)
	14428	List of Directors of Dominion Cotton Mills (Ev. p. 5744)
	14429	List of Directors of Dominion Textile Co. Ltd. 1905 (Ev. p. 5770)
	14429	There was no duplication of Directors on Boards of these companies
	14431	Dominion Textile held between 12,000 and 13,000 shares of Montreal Cottons from 1925 on, but it was not until April 1930 that they secured over the 15,000 shares required to give them control
	14433	List of Directors of Dominion Textile Company 1926
156	14434	At Montmorency a considerable addition was made during year ending in May 1927 and machinery was revamped and re-aligned which reduced operating costs. At all other mills considerable machinery was added throughout the year. There were few cards left that were ten years old
156	14434	Average life of a card is from 30 to 40 years. (Ev. p. 5949) (This should be considered when going into the question of excessive depreciation)
156	14435	In 1927 it was decided to add eight additional printing machines at Magog
156	14435	Complaint was made in 1927 that the tariff protection was not equal to the actual difference of labour in Canadian mills and the Lancashire mills (Protection now enjoyed by Canadian mills is more than their whole percentage of labour costs in different instances)
156	14436	During last six months of the 1928 fiscal year production of all mills had been reduced from 75 to 50%
157	14436	During the year the Tariff Board reviewed conditions in the cotton industry. Tariffs had been reduced from 2½% to 7½%

157	14437	In 1928 a considerable number of extensions to plant were made and a building added to the Montmorency plant
	14437	Although mills complained of insufficiency of tariff protection, they kept adding to productive capacity of mills
	14437	Bruneau says new building being erected at Cornwall by Canadian Cottons is a warehouse
14438	14439	Effect of mechanization on employment (Ev. p. 5957)
157	14439	Common share capital of Dominion Textile Company increased in 1929 from 225,000 to 350,000 shares to provide for the purchase of the Sherbrooke Cotton Co. and the Drummondville Cotton Co., Ltd.
158	14439-A	At 1930 Annual Meeting the Chairman complained that there was no effective application of the dumping clause in the tariff nor any attempt made to apply the British content clause to the British Preferential Tariff on British cottons (Ev. p. 5963)
	14439-B 14440	Although the textile industry had had an opportunity to prove before the Commission that there has been any lack of enforcement of the customs laws, they have not done so
158	14440	Kinston mill closed
158	14440	Suggestion was made at 1930 Annual Meeting that there should only be three or four ports of entry for textiles
159	14441	At 1931 Annual Meeting it was stated that the Government had partially revised the cotton schedule and afforded a very welcome and necessary relief. It was also stated that prices were extremely close
159	14441	At 1932 Annual Meeting Daniels stated that during the previous three months the Government had taken steps to stop the dumping of cotton goods into Canada (Ev. p. 5971)

159	14443	A tariff is not designed to preserve the home-market for manufacturers, as was contended by Daniels in 1932. (Ev. p. 5976)
160	14443	At 1933 Annual Meeting it was stated that plants had been kept in excellent repair and improvements in machinery or manufacturing methods that might tend to increase the manufacturing efficiency of the mills and lower cost of production had been adopted
160	14444	Dividend on Common Stock was reduced from \$5.00 to \$4.00 per share and wages 10 to 20% in 1933 (Ev. p. 5979)
160	14444	Common Stock dividend restored to \$5.00 a share and wages increased by 5% in 1934
	14444	1934 was one of the banner years for the Company in the way of profits but Company still complained about competition from Great Britain
160	14444 14460 14461	At 1935 Annual Meeting it was stated that duties were too low in 1935 and that the protection given the industry in 1930 was the minimum it could get along with
160	14445	\$75,154.75 was paid in pensions to retired employees during the past year (1934-35) bringing the amount paid since 1923 up to \$565,997.14
160	14445	Company stated that for many years it had been taking proper steps to safeguard the position of employees and their families in sickness, death and old age (Ev. p. 5986)
161	14445	Group Life Insurance was put into effect in 1935 providing insurance of \$625,000 on the lives of the employees (Ex. 35)
161	14446	Accident and Sickness Insurance is in effect in certain plants where workers in sufficient numbers have signified their interest, the Company paying part of the cost
161	14446	At 1936 Annual Meeting the amount of taxes paid by the Company is emphasized and it was stated it represented \$42.00 per share on the Company's Preferred issue (Ev. p. 5990)
161	14446 14462	Dominion Textile Company states that due to tariff reductions in 1936 it may be impossible for them to pursue their previous policy

159	14443	A tariff is not designed to preserve the home-market for manufacturers, as was contended by Daniels in 1932. (Ev. p. 5976)
160	14443	At 1933 Annual Meeting it was stated that plants had been kept in excellent repair and improvements in machinery or manufacturing methods that might tend to increase the manufacturing efficiency of the mills and lower cost of production had been adopted
160	14444	Dividend on Common Stock was reduced from \$5.00 to \$4.00 per share and wages 10 to 20% in 1933 (Ev. p. 5978)
160	14444	Common Stock dividend restored to \$5.00 a share and wages increased by 5% in 1934
	14444	1934 was one of the banner years for the Company in the way of profits but Company still complained about competition from Great Britain
160	14444 14460 14461	At 1935 Annual Meeting it was stated that duties were too low in 1935 and that the protection given the industry in 1930 was the minimum it could get along with
160	14445	\$75,154.75 was paid in pensions to retired employees during the past year (1934-35) bringing the amount paid since 1923 up to \$565,997.14
160	14445	Company stated that for many years it had been taking proper steps to safeguard the position of employees and their families in sickness, death and old age (Evi. p. 5986)
161	14445	Group Life Insurance was put into effect in 1935 providing insurance of \$625,000 on the lives of the employees (Ex. 35)
161	14446	Accident and Sickness Insurance is in effect in certain plants where workers in sufficient numbers have signified their interest, the Company paying part of the cost
161	14446	At 1936 Annual Meeting the amount of taxes paid by the Company is emphasized and it was stated it represented \$42.00 per share on the Company's Preferred issue (Ev. p. 5990)
161	14446 14462	Dominion Textile Company states that due to tariff reductions in 1936 it may be impossible for them to pursue their previous policy

161	14447	According to the Company, the loss involved in producing goods on the former scale a large proportion of which may now only be sold at prices below the cost of production is more than even its sound Balance Sheet position can be expected to stand without danger of grave impairment in a comparatively short time, and curtailment of operations may be necessary
	14448	In December 1936, Dominion Textile Co. was able to increase its wages on account of the increased volume of business in the last few months
162 192	14449	Between 1874 and 1934 the business of 17 cotton companies has been amalgamated into the Dominion Textile Co. and in 1930 it obtained a controlling interest in Montreal Cottons Limited (Ev. p. 4854)
162	14449	In the process of amalgamation 10 mills have been closed
	14449	The nine provinces of Canada pay the subsidy to tariff protected industries but only two provinces really benefit by it
162	14451	When certain of the mills were closed, other plants were enlarged in other centres to concentrate manufacture
166	14452	Capital earnings of Dominion Textile Co. 1906 to 1936 (Ex. 917)
166	14453	No new capital was brought into Dominion Textile Company between 1906 to 1922
166	14453	In 1923, \$2,500,000 new capital was added
167	14454-A	Total dividends paid on original Common Stock between 1923 and 1928 amounted to \$4,050,000
167	14453	In 1929, \$5,375,000 new capital was brought in (Ev. p. 5959)
168	14453	Amount of dividends paid per annum from 1923 to 1936 on subsequent issues of stock amounted to \$6,276,456.75
	14454	19,240 Preferred Shares were issued, 5,000 going to the members of the Syndicate and 14,240 to the shareholders of the old companies to acquire their shares

	14455	Shareholders of the old companies were not informed that members of the Syndicate were to receive \$5,000,000 in Common Stock for the \$500,000 they subscribed (Ev. p. 6011)
165	14458	Amount of dividends paid per annum on Common Stock, 1908 to 1922
166	14459	During first 17 years of operation (1906 to 1922) \$4,975,000 was paid on original investment in Common Stock of \$500,000
168	14463	Total dividends paid from 1929 to 1936 on original investment of \$500,000 amounted to \$5,812,500
168	14463 14468 14508 15047B	Total dividends paid from 1906 to 1936 on original investment by members of the Syndicate amounted to \$14,837,500, or an average annual rate of 98.4%
	14463	If Dominion Textile Company had paid only a reasonable return on the original investment of \$500,000 it would never have been necessary to get in any additional capital
168	14464	When wages were decreased by 10% during the year ended March 31, 1934, the Common Stock dividend was reduced by 20%. While this represented a saving in wages of \$434,000, \$600,000 was paid in 1934 on the \$500,000 originally invested in Common Stock
168	14464	The dividend record does not disclose the whole story of the profits earned on the common Stock issued to the members of the Syndicate
169	14465	Method of approach to determine the actual value of the Company's assets
169	14467	Total assets in 1936 as shown by the Company's books, \$27,307,991.00
170	14468	Total return in 30 years on the original \$500,000 investment amounts to about \$29,000,000
173	14470	Amount charged to profits for depreciation 1905 to 1936 amounts to \$22,943,471 and to equipment and repairs, \$12,492,186.92
170	14470	based on the 1936 appraisal, the amount written off to depreciation in excess of the amount required to take care of reasonable wear & tear (not provided for out of earnings) and obsolescence amounts to a secret reserve of profits

178	14471	By carrying on its books at \$4,000,000
	14485	a plant value of \$21,000,000 a secret re-
180	14507	serve of profits amounting to \$17,000,000
		is set up
171	14472	1936 appraisal, exclusive of land, sub-struc-
	14479	tures and excavations, was \$20,100,177. In-
		cluding lands and sub-structures \$22,182,633
		(Ev. p. 12657 and 12658)
	14473	Heward says the 1920 appraisal and not the one
		made in 1936 is the appraisal which should be
		used
	14473	Dominion Textile will not admit that the plants
178	14504	are worth the value put on them by the 1936
		appraisal (Ev. p. 13797)
	14475	Gordon says insurance was placed in the United
		States because they could not get it any place
		else when they started
	14476	1936 Insurance appraisal of Hochelaga Branch
		(Ex. 1326)
171	14479	Company's records show the assets of the Company
		charged into the books over the period of years
		at \$41,679,277.06 (Ex. 917, p. 8)
	14480	Heward says this figure of \$41,679,277.06 should
		be \$38,686,867.96 as shown in Ex. 1232
171	14481	\$41,679,277.06 arrived at by taking into the
		books the figure at which the plant and machi-
		nery stood on the books of the predecessor
		company, regardless of the price which the
		Company paid for them
172	14481	The excess of the book value over the purchase
		price received by the predecessor Company is
		\$2,191,261.37 (Ex. 917, p. 8)
	14482	Heward challenges the principle and also the
	14486	accuracy of the figures used by the Commission
	14501	
172	14482	Company transferred \$3,653,109.91 from Goodwill
		account to Fixed Assets account
172	14484	Company wrote up its assets in 1923 by \$7,500,000
173	14494	on the basis of the 1920 appraisal. Glasco
178	14503	says that this was a revaluation because of
		increment in values and not because of overde-
		preciation

	14485	Improper for a company to issue stock on the basis of the book value for all time of building and machinery right after the war and then leave the public to pay dividends on the stock issued in that way
172	14485	Total inflation in book values amounted to \$13,254,371.28 leaving the actual amount paid by the Company for these assets, \$28,424,855.78
172	14486	Amount written off for depreciation from 1905-1936 totals \$19,865,990.66. This, with other amounts written off, amounts to \$23,506,950.95 and leaves the unabsorbed portion of the fixed assets as of March 31, 1936, on a cost basis at \$4,917,904.83 (Ex. 917.p. 8)
174	14491	
	14487	Heward says figure of \$4,917,904.83 should be \$6,335,057.08
	14501	
172	14487	On the basis of the 1936 insurance appraisal the value of the plant is now \$22,183,633
172	14487	\$17,265,728.17 appears to be a secret reserve of profit in which all the amount charged for depreciation, repairs and betterments has been excessive to this extent
	17699 H	
	17700 H	
173	14488	Glassco says there had been no overdepreciation up to 1920, but would express no opinion after 1920
173	14489	Between 1905 and 1920, the physical assets acquired in 1905 and worth \$11,000,000 at that time, doubled in value through a steady program of yearly replacements and betterments combined with the natural appreciation in values of all kinds
173	14489	The effective depreciation written off up to 1924 amounted to \$9,400,156.43 and during the same period the Company spent \$6,926,746.40 on repairs to buildings and machinery
173	14490	Comparison of values shown on the 1920 and 1936 appraisals
174	14491	1936 appraisal values the Company's physical assets, exclusive of head office building, at \$21,128,836

	14493		Heward says "book values" should be called "depreciated costs"
174	14493		Comparing the present book value of \$4,917,904.00 with the 1936 appraisal figure of \$21,128,836 leaves a surplus of \$16,210,932 to which should be added the value of the land and sub-structures
179	14504		
174	14494		The Company objects to this basis of calculation and claims that the valuations as placed on the books at the time of the original purchase were justified because they were the same values that appeared on the books of the original companies and were paid for in stock by Dominion Textile Company on this basis
175	14494	17700 17704 17726 17754	1936 appraisal was taken on the values of the plant and machinery prevailing at that date but there has been an average drop in values as between 1920 and 1936 of 40% of the 1920 figures
176	14496 14501		Price indices prepared by Dominion Bureau of Statistics on "Building and Construction" costs and the cost of "Iron and Its Products" show a drop in 1935 as compared with 1930
176	14497		The only fair comparison with the 1936 appraisal is to reduce the values set up on the books on the basis of the 1920 appraisal with all the additions since to the values prevailing in 1936, i.e. by 40%. This would make the present value \$12,800,746 instead of \$21,354,577
177	14497	17702	Comparing the 1920 appraisal with the 1936 appraisal, there appears to be undisclosed profits of \$15,179,238, during the period from 1920 to 1936, created by overdepreciation and betterment and repairs charged to profits
177	14500	17726	
	14505	17728	
	18919	17747	
		17751	
		17754 17756	
	14502		In the case of Montreal Cottons a large amount of wages for repairs in revamping the plant were charged against the ordinary payroll, 33% of which was charged against capital expenditure
178	14503		Prior to 1920, the total amount of additions capitalized were less than \$2,000,000

178	14503 19053	17767	During the same period plant and machinery was written off to the amount of \$9,980,032.92 The cost to the Company of this plant and machinery was \$12,624,302.52
180	14508		Statement filed by Glasco shows the average annual earnings of the invested capital, however produced, has amounted to 9.13% (Ex. 1232 p. 3)
180	14508	17816 17804 17807 17875	Of total invested capital of \$17,983,218.22, \$1,940,600 was invested by preferred stockholders, \$500,000 by the original subscribers to the Syndicate, \$5,875,000 by subsequent subscribers for common stock and \$9,667,618.22 is profits earned from what has been referred to as a private power of taxation vested in the Company (Ex. 1232)
180	14509	17804	Glasco claims that Company lost \$615,683.36 in 1933 but this was incurred by the transfer of \$1,000,000 from Surplus Account to cover losses made on investments in other companies (Ex. 1232)
180	14509	17807	Glasco, in his statement, makes no allowance for the secret inventory reserves or for other secret reserves arising by reason of charging to operations amounts in excess of proper depreciation and amounts for betterments and repairs which should have been capitalized
181	14512	17875 18850	Table showing position of Dominion Textile would have been in had the Company paid all the bond interest according to its obligation, the preferred stock dividends and common stock dividend over a period of 30 years on the amount originally invested in the common stock at 20% per annum
183	14513		On this basis the consumers of Canada have paid in profits sufficient to pay back to all investors the whole of their investment, pay all the interest on bonds, preferred dividends and dividends on the common stock at the rate of 20% per annum on the money actually invested; pay for the entire buildings, plant and machinery and give to the Company a fund available for outside investment amounting to \$24,000,000 all in a period of 30 years
183-A	14695	15061B	Graph showing relative value of earnings and relative value of wages paid

198	14581		Record of four large cotton companies in Canada is substantial proof of the benefits the cotton manufacturers have derived from the protective tariffs in force in Canada during the last 60 years
199	14582		From 1926 to 1935 all the companies taken together have made profits and have gone through the depression period without any substantial impairment of assets. They have all been able to pay substantial dividends on the money invested when bonus stock has been eliminated (Ex. 998)
199	14582	17889 17322K	Table showing return in 1933, 1934 and 1935, on total investment in operation after eliminating goodwill - American companies (Ex. 1291) Canadian Companies (Ex. 998) and Dominion Textile Co. (Ex. 917). This table indicates that Canadian companies with the tariff protection they have had, have been able to make a better return than the American mills
	14585		During the same period (1933-4-5) very few of the english cotton companies were able to pay dividends

CANADIAN COTTONS, LIMITED

<u>PAGE IN</u> <u>PRINT</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>BRUNEAU'S</u> <u>RECAPITAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
184	14525		History of Canadian Cottons, Limited
184	14525	18351 18357 18365	In 1892 the Company was incorporated under the name of Canadian Coloured Cotton Mills Ltd. In 1910 the name was changed to Canadian Cottons Ltd and the capital increased
184	14527		Canadian Coloured Cottons was a merger of seven cotton companies
184	14528		Assets of these companies were acquired by the issue of bonds amounting to \$2,000,000 and common stock amounting to \$2,600,000
184	14528	18353 18357	Promoters may have got the \$2,600,000 in common stock
184	14529	18361	\$2,600,000 common stock was issued to A.F. Gault and David Morrice in part payment of the properties and the \$2,000,000 of bonds were also issued to the same gentlemen. In addition a group of five men subscribed \$20,000 each making a total of \$100,000 for common stock (Ex. p. 6064A)
184	14529	18362	It was provided that where the current assets of the merging companies did not reach the value that had been put on them in the agreements the promoters were to return to Canadian Coloured Cotton Mills Ltd the difference in bonds. \$240,000 worth of bonds were returned to the Company
185	14530 14533	18354 18375	From Minute Book it appears that \$250,000 bonus stock was issued on acquisition of the Canada Cotton Mfg. Co. Ltd.
	14530	18355	Shareholders of Canada Cottons received in cash \$565,000 but bonds were assumed by Canadian Cottons Ltd to the value of \$300,000 and \$475,000 of liabilities
185	14533		If bonus stock was issued in respect to Canada Cotton Mfg. Co. it was probably issued on the acquisition of the other companies

186	14533		Dividends paid on common stock between 1892 and 1910; the surplus by 1910 amounting to \$1,675,337.65
186	14534		Canadian Cottons was incorporated in 1910 and the capital increased to \$8,000,000- \$4,500,000 being preferred stock and \$3,500,000 common stock
186	14534		In 1910 Canadian Cottons acquired the Gibson Cotton Mill Co. Ltd. and the Mount Royal Spinning Co. Ltd.
186	14536		When merger was completed the total capitalization of Canadian Cottons Limited was \$9,940,500
186	14538		\$2,000,000 of Common Stock was issued to a Syndicate as a bonus for the sale of the preferred stock of Canadian Coloured Cotton Mills Ltd. (Ex.p.6044)
	14537		Bruneau says this \$2,000,000 of Common Stock was fully paid stock
187	14540		No cash or equivalent asset came into the Company for the \$2,000,000 Common Stock
	14541		The Syndicate acted as trustees for all share holders and made no independent profit on the deal
	14542		No additional capital was brought into the business for the common stock that was issued
187	14542		Through the exchange of common stock held by the shareholders of Canadian Coloured Cotton Mills Ltd. for preferred stock in the new company a capital surplus of \$675,000 was created. This, together with a charge of \$1,325,000 to the surplus of the old company offset the part value of the common stock and carried into the new company an undivided surplus of \$348,337.65
187	14544	18357B	When Canadian Cottons Ltd started business in 1910 all the common stock was bonus stock
187	14545		In 1930 Canadian Cottons purchased a controlling interest in the Cornwall and York Cotton Mills Ltd.
187	14545	18386B	From 1892 to 1936 the total net revenue available for shareholders amounted to \$15,360,630.61, of which there was paid out in dividends \$9,778,737.57 (Ex. 917, p. 5)

187	14545		Depreciation charged to operations, 1892 to 1936, amounted to \$12,625,938.98 and repairs and improvements charged to operations amounted to \$9,041,626.01 (Ex. 917)
188	14546	18385 18387	Company has earned for the shareholders since 1892 \$24,560,804.50. Bruneau says this is not correct
188	14546	18371B 18375B	Original investment was not more than \$4,930,130 according to Mr. Howson's calculation (Ex. 917, p. 3)
188	14547		Canadian Coloured Cotton Mills Ltd. complained annually of insufficient tariff protection (Ex. p. 6078, 6080, 6081, 6084, 6088, 6091, 6111, 6116, 6121, 6126, 6129) Canadian Cottons renewed these complaints each year from 1923 to 1936, with the exception of 1931
188	14547		The record of earnings do not justify the complaint nor the increased tariff protection since 1930
	14548		It is unfortunate that the consideration for which the original common stock was issued is not available, as there is always a certain pyramiding
	14548		Bruneau says there has only been one change in capital structure of the Company since 1892 and that was imposed on it by the Bank
	18720		Letter from A. O. Dawson to W.E. Moore, Chairman of Tariff Board, dated November 12, 1927, setting out the protection which Dr. Dawson considered the cotton industry should have against the United States (Ex. 492, Ibid. p. 7253)
	18728		Table showing difference in cost of production of cotton goods in Canada and the United States (Ex. 492)
	18735		Comparison of working hours in Canadian and United States Mills (Ex. 492)
	18740		American competition in cotton goods is pretty well shut out and the competition is from Great Britain (Ex. 492)

To enable the Canadian mills to secure a larger share of the country's business in cotton goods, Dawson made the following requests in Exhibit 492:-

- (1) That the dumping clause should be enforced by skilled appraisers operating in fewer ports of entry
- (2) That a permanent Tariff Board be appointed and that when certain lines of foreign goods are being sold in Canada at prices below cost of production the invoice value of such goods may be increased for duty purposes to a figure considered as representing the actual or real cost of said imports
- (3) That the duty on British cotton goods shall in no case be less than 25% of that of the General Tariff

MONTREAL COTTONS LIMITED

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>REBUTTAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
188	14549	History of Montreal Cottons Limited	
188	14549	Company was incorporated in 1874 with a capitalization of \$500,000 divided into 5,000 shares of \$100. each	
188	14549	In 1881 a stock bonus of \$110,000 was issued to shareholders (Ev. p. 5212)	
188	14549	In 1882, the authorized capital was increased to \$1,000,000 and \$100,000 of stock sold to shareholders at par. In the same year a further issue of \$170,000 of stock was sold and in 1893 \$200,000 of stock was sold, bringing the capital up to \$1,000,000	
189	14550	In 1893 the authorized capital was increased by \$1,000,000 (Ev. p. 5247)	
189	14550	In 1893 the Company sold for cash \$400,000 worth of stock, in 1898 \$100,000, in 1899 \$150,000 and in 1900 \$350,000	
189	14550	By 1900 the authorized capital was increased to \$4,000,000, \$1,000,000 was sold at par, bringing the outstanding capital up to \$3,000,000	
189	14550	In 1911 a new company, called the Montreal Cottons Limited was incorporated	
190	14553		
189	14550	Dividend record from 1880 to 1911	
193	14562		
189	14551	Meeting of shareholders was called on June 5, 1905, to consider an offer from a Syndicate to acquire their stock	
190	14551	Summary of Company's operations for five years (1901 to 1905) (Ev. p. 5298)	
	14551	Montreal Cottons is one of the few companies that prior to taxing legislation set up a definite reserve for depreciation	

190	14552	Letter sent to shareholders in 1905 to discourage them from accepting offer made by the Royal Trust Company on behalf of a Syndicate that had been organized to try and get control of the shares
190	14552	Some of the members of the Syndicate were also members of the Dominion Textile Syndicate (Ex. 337)
190	14552	At end of 1910 Company had a profit and loss surplus of \$2,002,610.14 (Ex. 952). The business done for the year was over \$3,000,000
190	14553	In 1911 a new company was incorporated with a capitalization of \$6,000,000 and two shares in the new company were issued to every share in the old company (Ev. p. 5322)
191	14555	Dividend record from 1911 to 1933
	14554 14556	In 1930, 1931 and 1932, the Company had operating losses and reserves were drawn on for dividends. (Dominion Textile Co. obtained a controlling interest in Montreal Cottons in 1930)
192	14554 14556	Dominion Textile Company appointed selling agents for Montreal Cottons on September 30, 1934
192	14554	Montreal Cottons sold a large part of its products to Dominion Textile, the price being fixed by the General Manager
	14555	Dominion Textile is trying to obtain complete ownership of Montreal Cottons at as low a price as possible; in that way pay as little dividends and buy from it at as low a price as possible
	14556	Howard says there has been no evidence of this.
191	14556 14557	The fund upon which the Company drew to pay its preferred dividend from 1930 to 1934 was \$1,975,000 cash received from the sale of its power rights to the Beauharnois Company
192	14561	Dominion Textile obtained control of Montreal Cottons in May 1930 (Ev. p. 4354)
192	14561	Effects of mechanization felt in 1935 when Company had less employees but produced almost twice the value of goods that were produced in 1905. Price of raw cotton in 1903 and 1935 was practically the same

	14561	In comparing the value of sales, it should be taken into consideration that the price of raw material may vary
193	14562	In February 1903 the Company in the Directors Report complained about the Preferential Tariff
193	14562	Between 1903 and 1910 when the new company was organized dividends were paid and reserves of the company increased by \$336,000 despite the Preferential Tariff
193	14562	In 1936 there was an apparent surplus over the book value of the assets amounting to \$2,000,000 (Ex. 917, p. 18)
193	14563	Charges for mill supplies and equipment jumped from \$60,391.33 in 1931 to \$246,844.32 in 1935, the peak of \$341,595.05 being reached in 1934 (Ex. 917, p. 19)
193	14564	The heavy charge for mill supplies and equipment of \$249,108.62 in 1935 was incurred at a time when the mill was being revamped (Ev. p. 5429, 5431)
193	14564 14563	In 1935 out of \$250,000 spent in mechanics' wages for repairs, etc. only \$55,000 was charged to capital account (Ev. p. 13700)
	14565	Howard says that in 1931 the wages charged to Capital Account amounted to \$120,000 and in 1932 to \$152,000 (Evo. p. 13699, 13700)
	14566	Howard says that no depreciation was written off in 1925, 1929, 1930, 1931 or 1932, but that the Company started to write depreciation again in 1933
	14569	Gordon explained that all wages are charged into Wages Account
	14569	Company cannot say how much was capital expenditure and what it was expended for, which is an important consideration when there is an income tax to be paid on the profits of the Company
194	14570	Profits are further affected by the fact that Montreal Cottons had an inventory reserve (Ev. p. 13702)

14570

Inventory was not valued at cost or market, whichever was lowest, but was valued on a lesser basis, which would materially affect the profits that were shown on the Balance Sheet

14571

Heward says there is no proof that the new system of inventory valuation was less than the old system

14573

Basis on which inventories of Montreal Cottons were taken (Ex. p. 13701)

14576

Evidence shows that the Company knew on what basis inventory was taken

WABASSO COTTON COMPANY LIMITED

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>WILLOCK'S</u> <u>REBUTTAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
194	14580	History of Wabasso Cotton Co. Ltd.	
194	14580	Company was incorporated in 1907 with an authorized capital of 7,500 common shares of a par value of \$100 each, of which 5,000 shares were issued	
194	14580	All the original common stock issued was bonus stock, except for about \$25,000 in real estate turned over to the Company	
194	14580	City of Three Rivers agreed to pay the Company a bonus of \$75,000 and commute taxes for a period of years	
194	14580	C. L. Whitehead received \$25,000 in cash and \$487,000 in non-assessable common stock	
194	14580	Whitehead and his associates sold a bond issue of \$1,000,000 with which a 80% bonus of common stock was given out of the common stock that went to Whitehead	
	14580	The money realized from the bonds was used to construct the plant and building	
195		Certain people who underwrote the bonds were given more stock as a commission for handling these bonds (Ev. p. 1163)	
195	14580	St. Maurice Valley Cotton Mills was organized in 1912 and the same procedure follows as with the Wabasso Company	
195	14581	St. Maurice Company was formed for the purpose of erecting another mill on the same property as Wabasso and to avoid issuing a second Mortgage Bond issue	
195		Capital of St. Maurice Company was \$1,200,000	
195		Wabasso Company increased its capitalization from 7,500 shares to 17,500 shares in 1913 (Ev. p. 1188)	

- 195 12,500 shares of St. Maurice Company were issued to Quebec Savings and Trust Co. and exchanged share for share for Wabasso Common Stock
- 195 \$2,500,000 bond issue on the St. Maurice plant was authorized of which \$1,500,000 was issued (Ev. p. 1192) and a 50% bonus of Wabasso stock was issued (Ev. p. 1193)
- 196 Final disposition of shares of Wabasso Cotton Company
- 196 In 1920 Wabasso capital was increased from 17,5000 shares to 35,000 shares of no par value. There were issued two shares of no par value for one share of \$100 par value (Ev. p. 1211, 1213)
- 196 In 1927 Wabasso capital was increased from 35,000 shares to 105,000 shares of no par value. A new issue of 17,5000 shares was distributed to shareholders, one to two, at \$60.00 per share. The Company received \$1,050,000 (Ev. p. 1216)
- 196 In 1928 a further 17,5000 shares were issued to shareholders, one for three held at \$80.00 per share. 17,404 were taken up the Company received \$1,392,000
- 196 In 1909 the Shawinigan Cotton Co. Ltd. was organized by the same group as promoted the Wabasso Company and the same procedure followed
- 197 Contract with Shawinigan Water & Power Company for supply of electric power transferred to Shawinigan Cotton Company for \$750,000 in Common Stock and \$3,000 in cash
- 197 \$2,500,000 bond issue was authorized for Shawinigan Cotton Company of which \$1,666,000 was issued. 25% of the \$750,000 common stock was given away to bonus the sale of the bonds (Ev. p. 1227)

- 197 In 1910, C.R. Whitehead had control of the Oxford Knitting Co. Ltd. and sold it to Shawinigan Cotton Company for \$116,000 in bonds and \$249,000 fully paid up, non-assessable stock. (Ev. p. 1229) Shawinigan Company lost about \$360,000 on the investment (Ev.p. 1239)
- 197 Shawinigan cotton Co. lost money through the operation of the Shawinigan Knitting Co. and the plant was finally disposed of to J.A. Moodie Co. Lt.
- 197 In 1916 C.R. Whitehead and J.N. Greenshields entered into an agreement with Wabasso Cotton Company to sell 7,500 shares of Shawinigan Cotton Company at \$10.00 a share to the Wabasso Cotton Co. The Wabasso Co. continued to buy Shawinigan shares at \$10.00 a share
- 198 In 1930 the capital of Shawinigan Cotton Company was written down to \$10,000
- 198 Since its inception Wabasso has paid in bond interest \$3,259,853.30 (Ex. 917, p.22) dividends of \$1,685,565.37 of which \$1,302,177.35 has been on bonus stock. The Company has an undistributed surplus of \$1,006,564.78 and other unused reserves of \$719,339.74 or a total of \$1,725,904.52

BROAD SILK DIVISION

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>REBUTTAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
201	14586		Number of companies engaged in the broad silk industry in Canada from 1923 to 1934 (Ex. 916)
201	14586		Percentage of business done by each company in the Broad Silk Group
			<u>Belding-Corticelli, Limited</u>
201	14587		History of Belding-Corticelli, Limited
202	14587		\$948,323.56 set up as goodwill on merger of companies in 1911 but this has since been written down to \$1.00
202			Record of common stock dividends paid from 1923 to 1935
203	14588		Financial summary of operations
			<u>Associated Textiles of Canada Limited</u>
204	14588		History of Associated Textiles of Canada, Limited
204			Result of Company's operations since 1931 is shown by Ex. 907
205			Net profit on sales and net profit on capital employed, 1931 to 1935
			<u>Bruck Silk Mills, Limited</u>
205			Summary of operations, 1926 to 1935 (Ex. 907)
206			Average annual charges for Depreciation & Repairs 1926 to 1935 (Ex. 910)
			<u>Grout's Limited</u>
206			Profits and earnings, 1926 to 1935 (Ex. 907)
			<u>Representative Companies</u>
206			Summary of operations of eight representative silk companies (Ex. 916, p. 10)
	14590		Profit on sales taken before bank interest in order to arrive at a uniform basis on account of different methods of financing used by the companies

WOOLLEN DIVISION

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>REBUTTAL</u>	<u>S U B J E C T</u>
207	14592		Background of Woollen industry in Canada
208	14593		Explanation as to how the records of the woollen companies have been dealt with in the exhibits prepared by Mr. Howson
208	14594	17270	List of woollen companies dealt with in Exhibit 1017
209			List of woollen companies dealt with in Ex.1003
209			Affairs of Ayers Limited & Kenwood Mills Limited are dealt with in Exhibit 1064
207	14594		Dominion Woollens and Worsteds Limited
211	14595	17272	Earnings of woollen industry during 5 years of the depression were consistently higher than for the five years immediately prior to the depression
212	14596		Net profit on sales from 1931 to 1935 was consistently greater than during the preceding 5 years (Ex. 1017, p. 10)
212	14596		Woollen companies took advantage of tariff protection given in 1930 to increase the net profit on sales
213	14596	17277	Table showing profit on sales for the depression years and for the pre-depression years

The Brook Woollen Co. of Simcoe, Ltd.

213	14596	Record of net revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930
	14596	Kellock objects to use of term "net revenue applicable to capital employed" and says this shows returns before bank interest is taken care of
	14601	If bank loan is taken into consideration, it gives a bigger return, because the company earned more than it paid in bank interest
214	14602	Percentage of net profits to sales, 1931 to 1935 and 1926 to 1930

Paris Winney Mills Co. Ltd.

215	14603	Record of net revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930
215	14603	Percentage of net profits to sales, 1931 to 1935, 1926 to 1930

Paton Manufacturing Co. Ltd.

215	14604	Record of net revenue applicable to capital employed in operations, 1931 to 1936, and 1926 to 1930
216		Net profit on sales, 1931 to 1936 and 1926 to 1930

Patons & Baldwins, Limited

216	14604	Record of net revenue to capital employed in operations, 1931 to 1936 and 1929 to 1930
217		Percentage of profit on sales, 1931 to 1936 and 1929 to 1930
217	14604	Patons & Baldwins took advantage of tariff protection given in 1930 to make profits during the depression years far in excess of profits normally made

217	14605	17386	Customs tariff duties on yarns, 1907 to 1936
	14605		Principle is wrong that provides high tariff protection for something that constitutes the raw material for others
	14606		Competition in worsted and woollen yarns comes from Great Britain

Dominion Woollens and Worsted Ltd.

218	14606		History of Dominion Woollens & Worsted, Limited
218	14606	17345	Report on affairs of Company prepared by H. I. Evans on behalf of the Bank of Montreal (Ex.1060)
219			List of mills of Company in operation
220			Explanation given by Mr. Barrett on points discussed in the Evans' report (Ex.1061; Ev. p. 13130)
222	14606		Record of Dominion Woollens & Worsted cannot be taken as a standard for merchandising in Canada on which to base the tariff for the future

Representative Companies

223	14607		Types of goods manufactured by 14 leading companies
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Ayers Limited

224	14607	Record of net revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1064)
224	17408	
	14607	Ayers does a substantial export business in paper-makers felts
224	14608	Ratio of net profit on operations to sales, 1931 to 1935 and 1926 to 1930 (Ex. 1064)

Kenwood Mills Limited

225	14608	Record of revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1064)
	14608	High duties have prevailed on blankets since 1930
225	14609	Ratio of net profits to sales, 1931 to 1935, and 1926 to 1930 (Ex. 1064)
225	14609	Earnings of Kenwood Mills does not indicate that the 1930 tariff increased were necessary or justified (Ex. 814)

KNIT GOODS DIVISION

<u>PAGE IN</u> <u>INDEX</u>	<u>PAGE IN</u> <u>ARGENT</u>	<u>KELLOCK'S</u> <u>REBETAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>S</u> <u>T</u>
			<u>Penmans Limited</u>
227	14609		History of Penmans Company
227	18807		
227	14610		Subsequent to 1893 the Penman Mfg. Co. purchased the Henderson Mills at Thorold, the Ellis property at Fort Dover and the Bates Felt property
227	14611		Amount of capital stock outstanding at date of incorporation of Penmans Limited in 1906
227			Directors Penmans Limited
228	14611		Prior to incorporation of Penmans Limited, E.M. Stewart acting on behalf of a Syndicate acquired the capital stock of the Penman Mfg. Company at \$350.00 per share
228	14611		Dividend record, 1892 to 1904
228	14612		Penmans Limited provided the necessary capital to take over the assets of the Penman Mfg Co. and \$2,000,000 in common stock and \$471,600 in preferred bonds and preferred stock were issued and the shareholders paid off in full at \$350.00 per share, the members of the Syndicate got all the common stock and \$471,600 of preferred stock
229	14613		In 1906 Penmans Limited acquired the Anchor Knitting Company
230	14613		In 1927 there was a split of share three for one
230	14613 18811		Amount of dividends paid since 1907 (Ex.1070,p.5)
230	14613		Goodwill, amounting to \$2,259,953.60, has been written down to \$1.0 and the credit to Surplus and Reserve Account is \$2,358,602.12
230	14614		Between 1907 and 1935 \$5,694,608 has been paid in dividends on securities that were issued as bonus to the Syndicate. (Ex. 1070, p. 7)
230	14614		Earnings accruing to these bonus securities, as shown by Reserve and Surplus Account amount to \$4,510,696 making a total of \$10,205,304 realized by the promoters of the Syndicate for no capital investment in the Company at all (Ex.1070, p.7)

	14 615	It is unsound to attempt to base tariff protection on capital employed in the industry when the consumer has contributed \$5000000 in dividends on stock for which no money was paid, and when this stock is given an asset value of \$4,510,000
	14615	Pennsane Limited to a certain degree is under the same management as Dominion Textile Co., Sir Charles Gordon being President of both companies
231	14615 18814	Net profits to sales, 1931 to 1935 and 1926 to 1930 (Ex. 1070, p. 4)
231	14615 18814	Net revenue to capital employed in operations, 1931 to 1935 and 1926 to 1930
231	14616	This net revenue cannot be taken as a guide in view of the fact that the whole of the capital, with the exception of the portion of the preferred stock and the bonus is accumulated profit on shares for which nothing was paid
232	14617 18822	Position company would have been in had it paid no dividends on the bonus preferred and common stock
	14621	Definition of goodwill
	14621	Consideration should be given to what control has been taken to prevent stock manipulation and exploitation of the public by increased tariff protection

Monarch Knitting Co. Ltd.

233	14622	History of Monarch Knitting Co.
233	14622	Original partnership which consisted of A.F.R. Lalor, Ge. H. Orme and John A. Burns, was formed in 1903 and the three partners contributed to capital \$7,500
233	14623	Monarch Knitting Co. Ltd. was incorporated in 1908 to take over the business carried on by the partnership under the name of Monarch Knitting Co.
234	14623	In April, 1912, the business was sold for \$750,000 and a new company incorporated under the same name
235		Burns and Lalor invested in the new company but Orme withdrew
234		Summary of financial operations, 1903 to 1935 (Ex. 1071)

Representative Companies

236	14623	Summary of operations of certain representative knitting companies
236	14623	Net profits shown are after payment of executive salaries, which in many of the privately owned companies are very large (Ex. 1133, 1103, 1073)

HOSIERY DIVISION

<u>PAGE IN BRIEF</u>	<u>PAGE IN ARGUMENT</u>	<u>KELLOCK'S RESPITAL</u>	<u>S U B J E C T</u>
			<u>Canadian Silk Products Corporation Limited</u>
237	14624		History of Canadian Silk Products Ltd.
	14624		25 % of Company's business is export business
	14624		Where a company does an export business, it cannot be said that the tariff protection is entirely responsible for the profit of the company
237	14624		On original investment of \$48,375 in 1924, dividends have been paid amounting to \$926,032.50 and \$1,287,068.73 remains in undistributed surplus and reserve.
237	19044		
238	14624		Net profit on sales, 1931 to 1935 and 1926 to 1930 (Ex. 1147, p. 1)
238	14624		Net revenue on capital employed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1147, p.1)
			<u>Gotham Hosiery Co. of Canada Ltd.</u>
239	14625		History, capitalization and operating results, 1929 to 1936 (Ex. 1147, p. 2)
			<u>Julius Kayser & Co. Ltd.</u>
239	14625		History of Company
239	14625		Percentage of revenue to capital employed in operations, 1931 to 1936, and 1926 to 1930 (Ex. 1147, p.3)
239	14625		Net profit on sales, 1931 to 1936 and 1926 to 1930 (Ex. 1147, p. 3)
240	14625		Dividends, reserve, capital employed in operations, outside investments, value of plant and depreciation
			<u>Supersilk Hosiery Mills Ltd.</u>
240	14625		Earnings on capital employed in operations, 1931 to 1936 and 1926 to 1930 (Ex. 1147, p. 4)
240	14625		Net profits on sales, 1931 to 1935 and 1926 to 1930, Ex. 1147, p. 4)

Welfrest Hosiery Limited

240	14625	Revenue on capital employed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1147, p. 5)
240	14625	Net profits on sales, 1931 to 1935 and 1926 to 1930 (Ex. 1147, p. 5)

Representative Companies

241	14626	17212	Summary of operations of eight representative hosiery companies, 1926 to 1935 (Ex. 1155, p. 7, 8, 9 and 10) and 11 representative companies from 1930 to 1935 (Ex. 1155, p. 11 to 14)
242	14626		Ratio of net profits from operations to capital employed in the industry for all companies from 1931 to 1935 and 1926 to 1930 (Ex. 1155, p. 2)
243	14626		Net profits on sales of representative companies taken as a whole over the 10-year period 1926 to 1935 amounted to 9.1% (Ex. 1155, p.14)
243			Profits made were exceptional despite the fact that some of the companies at times showed a loss on sales as high as 33%
	14626		Hosiery is protected by a high specific duty

CARPET DIVISION

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KEILLOCK'S</u> <u>REBUTTAL</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
			<u>Toronto Carpet Manufacturing Co.</u>
244	14627		
244	14627		Ratio of net revenue to capital employed in operations, 1931 to 1935 and 1926 to 1930, (Ex. 1184, p. 3)
244			Net profits on sales, 1931 to 1935 and 1926 to 1930 (Ex. 1184, p. 3)
			<u>Harding Carpets Limited</u>
	14627		Carpet industry is an example of what high tariffs can do to injure industry by increasing internal competition
244	14628		Harding Carpets started in 1928, pulled through the depression and are now paying dividends (Ex. 1184, p. 3)
			<u>Brinton-Peterboro Carpet Co. Ltd.</u>
244	14628		Ratio of net revenue to capital employed in operations, 1931 to 1936 and 1926 to 1930, (Ex. 1184, p. 1)

THREAD DIVISION

PAGE IN PAGE IN KELLOCK'S
BRIEF ARGUMENT REBUTTAL

S U B J E C T

245

14628

Net revenue from operations to capital employed
in operations, 1931 to 1935 and 1936 to 1930
(Ex. 1202)

COST OF PRODUCTION

<u>PAGE IN</u> <u>INDEX</u>	<u>PAGE IN</u> <u>ABSTRACT</u>	<u>KELLOCK'S</u> <u>INITIAL</u>	<u>S U B J E C T</u>
247	14672	17850H 17857H 17347K	Very few of the textile companies are able to show their costs of production for any particular fabric
	14673 14681	17350 17355	Costs of production submitted to Tariff Board in Ref. 83 were submitted as manufacturers' cost of production; but were found to be standard costs only
247	14674		In many companies charges for repairs and betterments were charged to profits in one year but for the purpose of costing spread over a period of years. Charges for depreciation in the costs did not relate to depreciation put through from year to year (Ev. p. 12923)
	14676 18503	18500B 18501B	Canadian Cottons cannot submit their cost of production and do not know the Japanese cost of production
248	14676	17356	Comparative statement of Pennans Limited showing net profit on the basis of standard cost and actual cost, 1926 to 1935 (Ev. p. 12936)
249	14678		Pennans Limited state their standard costs are not used for price setting (Ex. 968, Ev. p. 128 12938)
	14678		Competition is used as the basis for price fixing
249	14678		Production costs submitted by Associated Textiles are much lower than standard costs submitted by them
249	14679		Canadian Celanese run factory as a unit which makes it difficult to allocate costs (Ev. p. 10669)
250	14680		It is difficult to relate to tariff protection costs of production as shown by the records of the companies engaged in the industry

CHARGES TO OPERATIONS FOR DEPRECIATION,
REPAIRS & BETTERMENTS

<u>PAGE IN BRIEF</u>	<u>PAGE IN ARGUMENT</u>	<u>KE'LOCK'S REPLY</u>	<u>S U B J E C T</u>
251	14683		Charges for depreciation, repairs and betterments have some importance in relation to cost of production
251	14684		Dominion Textile state they had charged for depreciation more than sufficient to take care of actual wear and tear and to cover capital losses as well (Ex. 329, p. 15)
251	14684	18009B	Charges made by Canadian Cottons Ltd. deserve close examination (Ev. p. 11366)
251	14685		Statement showing amounts charged to operations for depreciation, repairs and betterments and thereby deducted from profits and included in costs :-
252	14685	17653H	Dominion Textile Co. Ltd.
256	18939	17784H	
	18941	17761H	
	18943	17794H	
253	14691		Montreal Cottons Limited
258			
255	14692		Canadian Cottons Limited
257			
259	14694		Summary of charges to operations for Depreciation, Repairs and Betterments for 10 year period, 1926 to 1935 :-
260	14694		Cotton Companies
260	14695		Artificial Silk Companies
261	14695		Silk Companies
261	14695		Woollen Companies
261	14695		Woollen & Paper Makers Felt Companies
262	14695		Knit Goods Companies
262	14695		Hosiery Companies
262	14695		Carpets Companies

P A R T V

ORGANIZATION OF THE TEXTILE INDUSTRY

TRADE ASSOCIATIONS

<u>PAGE IN</u> <u>TRUMP</u>	<u>PAGE IN</u> <u>ALPHABET</u>	<u>KELLOCK'S</u> <u>REPORTAL</u>	<u>S U B J E C T</u>
			<u>Canadian Manufacturers Association</u>
263	14696		Constitution and By-laws
266	14700		Tariff Committee
268	14701		Association's attitude to the Industrial Standards Act
268	14703	16689	Policy of Association in regard to tariff protection
			<u>Primary Textiles Institute</u>
269	14706		Associations comprised in Primary Textiles Institute
269	14706		Officers
270	14706		Constitution
			<u>Canadian Woollens & Knit Goods Manufacturers' Association</u>
272	14706		Constitution and By-laws
273	14706		Association is divided into 12 branches
273	14706		Price fixing arrangements have been in effect in nine of these branches
273	14706		Officers of Association
			<u>Silk Association of Canada</u>
275	14707		Objects of the Association
275	14707		Officers of Association

Cotton Institute of Canada

276	14707	List of Members
276	14707	Officers of Association
276	14707	Constitution (Ex. 559)

<u>PAGE IN</u> <u>INDEX</u>	<u>PAGE IN</u> <u>ACCOUNT</u>	<u>KELLOCK'S</u> <u>RECORD</u>	<u>S U B J E C T</u>
278	14707		Constitution of Canadian Woollen and Knit Goods Manufacturers Association indicates that one of the purposes of the organization is to influence the course of legislation in Canada
279 280	14708 14711		Propaganda put out by Associations was designed to create a favourable impression in the public mind, or, in some cases, to discourage industries from locating in Canada
279	14708	17387	News release sent by Hallam to "Women's Wear Daily" and the "Daily News Record", Feb. 25, 1935, giving warning of excess silk production in Canada (Ex. 659)
280	14711	17399	Correspondence between Cowling and Hallam regarding information about silk industry in Canada sent to "Women's Wear" in 1933 (Ex. 592)
281	14714		Letter from Hallam to F.R. Watson re publicity for the silk industry through the Women's Institutes (Ex. 656)
281	14714	17401	Letter from Katsura & Company to Hallam dated August 23, 1933, requesting particulars of the silk industry in Canada (Ex. 656)
281	14714		Letter from Watson to Hallam re announcement in Canadian Textile Journal regarding Manhattan Mills Limited (Ex. 630)
282	14715	17403	Copy of article sent by Hallam to the "Silk Journal of America" indicating that the silk industry in Canada was facing over production (Ex. 657)
282			Letter from Hallam to R.H. Arnett, Industrial Secretary of Vancouver Board of Trade, Nov. 1, 1934, advising against the establishment of a silk industry in British Columbia (Ex. 416)
283	14715		Collection of funds for election campaign (Ex. 616)
284		17405	Study Club Notes (Ex. 613, Ev. p. 8317)

- 285 14717 Political pamphlet received in pay envelopes by employees of Monarch Knitting Company, Dunnville, just prior to 1935 election (Ex. 862, Ev. p. 9217)
- 286 14718 About 1909 Monarch Knitting Company provided work for every employable person in Dunnville and sent an Anglican Clergyman to Scotland and England to select employees (Ev. p. 9248)
- 287 14719 Monarch Knitting Company opened plants in St. Catharines and St. Thomas in 1909 and 1910 on account of not being able to obtain sufficient employees in Dunnville (Ev. p. 9249)
- 288 14719 Although textile Associations were active in securing for the industry advantages from the public, no action has been taken by them to develop any labour policy that would seek to distribute to labour a fair share of the advantages that have been secured to the industry through organizations and protective tariffs

COMBINATIONS AND MONOPOLIES

<u>PAGE IN</u> <u>DAILY</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>WILLOCK'S</u> <u>REPERTORY</u>	<u>S U B J E C T</u>
			<u>Memorandum of Law Affecting Monopolies and</u> <u>Combinations in Restraint of Trade</u>
289	14721		Combines Investigation Act
291	14723		
	14732		
	14741		
290	14721	16899	Section 498 of the Criminal Code
	14727	17326	
	14734		
291	14729		Section 15, Chap. 44, of Customs Tariff Act deals with question of Combinations and was in Customs Act before the Combines Investigation Act was passed
292	14741		Section 4, Chap. 55, of Tariff Board Act, 1931, gives the Tariff Board power to make investigations.
292	14742		Section 17 of Customs Tariff Act provides for reduction or removal of duty where advantage is taken of such duty to increase the price of goods to the consumer
293	14745	17328	Teidman vs. Sharagge is an instructive case on the application of Section 498 of the Criminal Code
	14749	17329	
293	14746	16374	Reference of Mr. Justice Liddington to the relation of tariff laws to Section 498 of the Criminal Code
294	14747		Mr. Justice Liddington stated that the standard of profit cannot be taken as a guide to determining whether or not an agreement is an undue restraint of trade
294	14749		Mr. Justice Clute in Sampole vs. Earn points out that Section 498 of the Criminal Code is closely related to the tariff laws of Canada

Judgment of Lord Atkins in 1931 on the constitutional validity of the Combines Investigation Act and Section 498 of the Criminal Code

14654

Brief on Dominion and Provincial relations, prepared by Hon. Norman McL. Rogers for the Province of Nova Scotia in 1934 (Ex. 1328)

14665

Report of the Royal Commission Provincial Economic Enquiry of the Province of Nova Scotia, 1934 (Ex. 1329)

PROPOSALS

Canadian Celanese Limited - Acetate Yarns and Fabrics

295	14753	History of Canadian Celanese Limited
296	14753	Weavers in Canada endeavoured to purchase cellulose acetate yarns but were unable to do so commercially due to the fact that Canadian Celanese demanded prohibitive prices
297	14753	
296	14753	Canadian Celanese in September, 1930, made representations to the Government for increased duties on artificial silk yarns and fabrics (Ex. 742)
299	14760	Evidence of Mr. McCameron, Vice President of Canadian Celanese re dumping of French yarn in Canada (Ev. p. 10608)
301	14764	H.C. Tolmie testified that Canadian weavers could not use foreign yarns at the laid down costs and compete with Canadian Celanese when selling the finished product (Ev. p. 10613)
	14765	Canadian Celanese still enjoy a monopoly
	14765	The only way relief can be obtained for the weavers in Canada is to lower the tariff on the Intermediate and General items
302	14766	Slingsby Silks Limited endeavoured to purchase yarns from Canadian Celanese in 1933 but price was prohibitive
303		In December, 1933, E.F. Sparks made application to the Minister of Finance for a revision of the tariff on cellulose acetate yarns (Ex. 750)
304	14766	Canadian Celanese has monopolized the field in Canada for cellulose acetate products and the tariff has enabled them to do so (Ex. 741)
304	41766	Exhibit 753 shows that the prices asked by Canadian Celanese are unreasonable
304		Findings of Tariff Board in Reference 38 made in April, 1936, are that prices charged by Canadian Celanese are excessive, and that the process of producing cellulose acetate yarns as an integral part of the process of manufacturing artificial

305 Consumers of Canada should be given relief under Section 17 (1) of the Customs Tariff Act and Section 29 of the Combines Investigation Act

Courtaulds (Canada) Limited - Viscose Yarns

306 History of Courtaulds (Canada) Limited

307 14767 After receiving increase in tariff in 1930, Courtaulds increased its prices for viscose yarns (Ex. 554)

308 14768 Prices of viscose yarns in the United States and England declined at the time Courtaulds (Canada) Limited increased its prices

14768 Tariff on viscose yarns should be lowered under the Intermediate and General tariff

308 14768 Canadian knitters protested to Government over Courtauld's price rise (Ex. 733)

310 Protests made to Government by Canadian Cottons Limited with respect to Courtaulds raise in prices

311 Courtaulds informed the Prime Minister that prior to raising the price they had been losing 5¢ a pound on their yarn (Ex. 733)

312 Courtaulds misrepresented its position to the Government by stating they were losing 5¢ a pound as the Company was making 8¢ net profit on all sales at that time

COTTON YARNS

Cotton Yarns

- 312 14769 Four companies control spinning of cotton yarns in Canada
- 312 Canadian producers of cotton yarn supply 94.7% of the yarn consumed in Canada (Ex. 894, p. 9)
- 14770 Agreement between the four large cotton companies constitutes a monopoly as well as a combine
- 14771 Agreement covers only yarns 40's or coarser
- 14772 Howard says there is no indication that price agreement raised the price unduly
- 14773 Price agreement eliminated the factor of reasonable competition

Full-Fashioned Hosiery

- 313 14773 In October, 1930, Douglas Hallam commenced collecting weekly returns from manufacturers of full fashioned hosiery showing lowest price per dozen, terms, etc.
- 14774 Cure for price fixing agreements is to make the tariff low enough so that the manufacturers cannot raise the prices under price fixing agreements
- 314 In March, 1932, an agreement for the maintenance of minimum prices on full fashioned hosiery was signed by 17 out of 22 manufacturers
- 314 Sample of letter agreeing to maintain minimum prices (Ex. 568)
- 316 List of companies which signed agreement of March, 1932 (Ex. 4569)
- 317 List of companies which signed agreement of March, 1933
- 317 A revised agreement was entered into in July, 1934

- 318 Hosiery agreements of November, 1934, (Ex. 563) May 1935 (Ex. 564) and September, 1935 (Ex. 565)
- 319 Discontinued lines (Ex. 572)
- 320 Complaints made by Canadian Silk Products as to members who signed the agreements selling below the agreed prices (Ex. 794)
- 322 17342 As only 11 members signed the agreement in September, 1935, it never became effective and price agreement was discontinued
- 322 Evidence of Canadian Silk Products indicates
323 14773 that price fixing was continued after September, 1935 (Ex. 795)
- 325 Letter from F. D. Woods to L. W. Lawson to Toronto Hosiery, dated July 30, 1936, re suggested lowering of prices at meeting of Full Fashioned Hosiery Section, Changes in price were agreed upon (Ex. 1235, Letters 197 and 198)
- 325 At meeting of Full Fashioned Hosiery Section held in December 1935, Canadian Silk Products were willing to come in again but Gotham Hosiery upset things and no agreement was entered into between the members (Ex. 1235, Letters 392 and 40 to 45)

Woollen & Worsted Cloth

- 326 14775 17359 Bulletin of February 20, 1936, fixing prices for serges and fancy piece dyes (Ex. 577)
- 327 Letter from Hielf Bros. Ltd. to Hallamsted Feb. 18, 1933, re price agreement (Ex. 575, Ev. p. 10795)
- 328 Price agreements dating from June 22, 1933, to February 20, 1936 (Ex. 765)
- 329 Evidence of J.H. Dodd in regard to operations of the price fixing arrangements in the woollen and worsted groups (Ex. 763, Ev. p. 10849)
- 331 Evidence of W.S. Grimshaw, General Manager of Hielf Bros. Ltd., re price fixing arrangements (Ev. p. 10681, 10692 et seq.)

331			Understanding in bulletin was that an advance of 5g or more would be charged to the general trade (Ev. p. 10898)
334	14776		Prices quoted Spaulnick on blue sergees for G. F.R. and C.F.R. uniforms (Ex. 764, par 5 & 6, Ev. p. 10871 to 10877)
			<u>Underwear (Women's & Children's)</u>
337	14776		First evidence of agreements appears in letter from Millam to Femans Ltd. dated April 24, 1935 (Ex. 709)
339			List of exhibits which show there was an agreement among the manufacturers of women's and children's underwear
			<u>Children's Sleepers</u>
339	14777	17265	Price fixing agreement existed between manufacturers of children's fleece line sleepers (Ex. 589, 708 and 1238)
			<u>Worsted Machine Yarn</u>
341	14777		Price agreement for spinners of worsted machine yarn (Ex. 573; Ev. p. 8075, 8079, 8080, 8082, 8084, Also Ex. 1240, No. 176, Ex. 574,, 1237 and 1239)
343			Dominion Woollens and Worsted Limited refused to enter into arrangements on yarn prices (Ev. p. 8087)
			<u>Hand Knitting Yarn</u>
344	14777 16870		Price agreement on hand knitting yarn (Ex. 587)
			<u>Towels</u>
345	14777		Price agreement on towels (Ex. 789; Ev. 1153 and 10891)
			<u>Carpets</u>
345	14777	17310 17318 to 17322	Price agreements on carpets (Ex. 1192)
349 351	14777		Financial record of Harding Carpets Ltd.

Carpets

- 349 Financial record of Toronto Carpet Co.
- 349 Financial record of Bristol-Petersboro Carpet Co.
- 350 17313 Financial record of Guelph Carpet & Worsted
Spinning Mills Ltd.

Broad Silk

- 14778 Prices charged by Broad Silk industry were low
and there is no evidence that they charged such
prices that one could say they had taken advan-
tage of the tariff
- 353 14778 Survey made of broad silk industry with the
object of controlling production so as to regu-
late prices (Ex. p. 8195)
- 353 14778 Evidence does not disclose that a definite method
of arriving at control of production was arrived
at, but mills reported their production to Hallam
who compiled the information and sent it out month-
ly to the reporting mills (Ev. p. 8217, 7393, 4405,
4406)
- 355 14778 Hallam says the production reports had the effect
of preventing ruinous prices (Ev. p. 8225) and
would possibly have the effect of stabilizing pri-
ces (Ev. p. 7941)
- 357 14778 Evidence placed before Commission should be refer-
red to those in charge of the Combines Investiga-
tion Act for such action as they may determine
- 312 14752

P A R T VI

PUBLIC AND GOVERNMENTAL RELATIONS OF THE INDUSTRY

PAGE IN PAGE IN KELLOCK'S
INDEX ALPHABET REBUTTAL

S U B J E C T

Tax Concessions

358	14785	17347	Practically all textile companies received tax concessions of one kind and another
358	14785	18509B	Bruneau says Canadian Cottons Limited have not had any fixed assessments at Cornwall during last ten years

UNDISCLOSED PROFITS

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>ACCOUNTAL</u>	<u>A</u> <u>B</u> <u>C</u> <u>D</u> <u>E</u> <u>F</u> <u>G</u> <u>H</u> <u>I</u> <u>J</u> <u>K</u> <u>L</u> <u>M</u> <u>N</u> <u>O</u> <u>P</u> <u>Q</u> <u>R</u> <u>S</u> <u>T</u> <u>U</u> <u>V</u> <u>W</u> <u>X</u> <u>Y</u> <u>Z</u>
		<u>Canadian Cottons Limited</u>	
359	14787	Points mentioned by A.O. Dawson in 1936 Annual Report on which the textile industry requires relief	
360	14789	Annual Report of 1936 complains of bur den of increased taxation and lack of reasonable protection	
360	14790	List of exhibits which contain complaints by A.O. Dawson about insufficiency of tariff protection	
361	14791	Canadian Cottons has an undistributed surplus available for shareholders of \$5,762,067 (Ex.917, p. 3) of which \$2,277,208.81 is a secret reserve not disclosed even to the shareholders and an additional \$9,000,000 accumulated undisclosed surplus represented in fixed assets (Ex.917,p.3)	
361		Company took a secret and unfair advantage of the Government by concealing its profits and failing to pay the required income tax	
	14792	\$9,000,000 undisclosed surplus is accounted for by under-valuation of plant. Branson challenges this figure	
	14793	Kellock says that \$9,000,000 was on the basis of an insurance appraisal and that in order to realize that amount the Company would have to have a fire	
362	14795	Requirements of Balance Sheet which must be laid before shareholders annually	
363	14794	Income War Tax Act	
364	14801	Form "J" required to be filed under Section 10 of the Income War Tax Act	
	14797	A.O. Dawson stated that if shareholders knew how well the Company was doing it would cause speculation in the stock	

364	14802		Certificate required under Form "J" of the
366	14803		Income War Tax Act (Ex. 995 and 996)
372	14824		
374	14826		
	14837		
377	14864		
378	14866		
378	14867		
378	14868		
379	14869		
379	14870		
379	14871		
380	14873		
381			
366	14806		Clause 17 of Income War Tax Act requires de-
			tails to be shown of any reserves not disclosed
			in the Financial Statements
367	14807		Clause 36 of Income War Tax Act requires informa-
			tion as to reserves other than for depreciation
			of wasting assets and bad debts
367	14807		Requirements of Income War Tax Act show that
			corporations are under express obligation to
			make full and complete disclosure of their finan-
			cial affairs to the proper authorities
368	14809		Canadian Cottons changed its policy of valuation
			on inventory from 30% to 40% when the Income War
			Tax Act came into effect in 1916
368	14809		Canadian Cottons falsified its returns to the Go-
370	14821		vernment in order to conceal a secret reserve,
371	14823		which between 1916 and 1936 reached a maximum of
373	14825		\$2,806,128.18 and is admitted to be in 1936,
380			\$2,277,308.81 (Ex. 796 and 1228)
382	14822		
	14810		Prunson says Company does not admit this amount
			as a secret reserve
368	14814		Method of inventory valuation followed by Canadian
			Cottons from 1916 to 1936 (Ex. p. 11401, 12105,
			12108, 17,103, 13,212)
369	14813	12530	Comparative statement showing rates at which raw
		12533	cotton was valued by Canadian Cottons and Chas. B.
		12543	Brown's valuation 1916 to 1936
		12636	
370	14816		Method followed by Company in valuing the inven-
378	14866		tory of goods in process and finished goods (Ex.
	12891		1228, Ex.p.12109, 12110)

370	14819		Amount of Inventory Reserve not disclosed on Balance sheets, 1916 to 1936
370	14845		
370			A.O. Dawson seeks to justify this reserve on the ground that it was necessary to carry a reserve as against fluctuations in the value of inventory
371	14822		Inventory Reserve in 1936 was \$500,000 more than the total amount of inventory as shown on the Balance Sheet
372	14823		Manner in which Canadian Cottons treated taxing authorities during the time this Inventory Reserve was built up
373	14826		How Canadian Cottons kept its inventory record
373	14834 14859		In 1919 Canadian Cottons in its Certificate of Inventory (Ex. 996) claimed a deduction from profits of \$230,000 for reserve, (Ex. p. 13171, 13173) although during the year it had increased its secret reserve from \$1,301,061.14 to \$1,590,852.16
374	14835	18645	Government refused to allow the \$230,000 reserve asked for and allowed only \$65,250
374	14836		In 1920 the Income War Tax Act and Business Profits War Tax Act were both in force and the taxpayer paid under the Act which yielded the greater revenue
374	14836	18639 18645	Due to decline in the price of raw cotton from 43¢ to 16.85¢, Canadian Cottons made a claim for exemption from taxation on profits to the extent of \$223,901.20, but were allowed \$604,000 (Ex. p. 13173)
374	14836		Canadian Cottons claimed that profits were arrived at after taking the inventory into the balance sheet at \$2,042,412.12 (Ex. p. 13712) which was claimed to be based on the market before the decline in price of raw cotton from 43¢ to 16.85¢
375	14838	18648 18654	Letter from Income Tax Department of the City of Montreal and Commissioner of Income Tax, dated March 17, 1922, re undervaluation of raw cotton by Canadian Cottons on its inventory
376	14840 14845		Correspondence in 1920 between Canadian Cottons & Commissioner of Taxation re \$128,342.87 over-payment in respect to 1918 assessment (Ex. 835)

376	14846 14850 14857 14859 14860 14864 14877 14878 14880 18710	18549 18635 18638 18643 18646 18649 18650 18651 18653 18653 18659B	Letter from Canadian Cottons to Co- discover of Taxation, dated December 17, 1921, re reduction of inventory value of 5,833,000 lbs of raw cotton taken in at 9¢ and 1,570,464 lbs taken into inventory at 43.14¢ per pound (Ex. 895)
377	14865		Average cost of raw cotton in 1921 was 13¢ but was taken into inventory by Canadian Cottons at 6¢ per pound (Ex. 1223) but income tax return did not say so
	14858	Bru	Brunneau says he does not know in what way Canadian Cottons failed to make complete disclosure to the Government
	14860		In 1921, Canadian Cottons lost \$1,600,000 on raw cotton, but this loss was not revealed to shareholders
378	14867		Certificate showing basis on which inventory was taken was left blank in the 1923 income tax return (Ex. p. 13612)
379	14869		Certificate for 1927 states inventory is taken at "cost" and after the words "do not contain any allowance for decline in value other than as follows" the word "usual" is written in. 1928 Certificate was filled out in the same manner (Ex. p. 13183)
381	14876		Amount of claim for Income Tax Department for taxes due by Canadian Cottons Limited is \$440,000 including interest made up of \$177,000 under Business Profits War Tax Act, \$195,000 under Income Tax and \$67,000 interest (Ex. p. 13195)
382	14877		A.H. Brunson says statements made on certificates were quite clear and that the same process had been continued for 20 years and that the usual discounts were shown from year to year and were exposed to the Government every time (Ex. p. 1206 and 1207)
382	14877 14882		Statement that usual discounts were shown to the Government every time has not been supported and is contradicted by C.F. Elliott

382 Sections 413 and 444 of the Criminal Code

383 14883 Comment of Mr. Justice Avery in *Rez vs Kysent*, 146 L.T.R., p. 22, with respect to the responsibility for the publication of a document which is false in the sense of what it does not disclose

383 14883 Judgment of Lord Halsbury in the case of a company which had obtained money on the strength of a prospectus that did not disclose that dividends had been paid from reserves in years of losses instead of from current earnings

PAGE IN BRIEF	PAGE IN ARGUMENT	HEWARD'S REBUTTAL
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H E W A R D

386	14884		<u>Dominion Textile Company Limited</u>
386	14884	17876	Annual Report for 1936 shows that the Company paid taxes amounting to earnings of \$42.00 per share on the Company's preferred issued - \$819,541 for Dominion, Provincial & Municipal taxes
386	14885		Income Tax is included in selling price and passed on to the consumer (Ev. p. 12757)
	14885		As the consumer pays the tax, there should be no secrecy in regard to income tax returns
	14887		Kellock says that since 1934 the Companies Act recognizes that income tax is paid out of profits
	14889		Companies Act states that there is not net profit so far as a company is concerned until the income tax comes out
	14891		A company that enjoys tariff protection and makes a profit from such protection owes it to the Government to pay out of those profits its income tax without passing it on to the consumer
388	14893		Inventory Reserve of Dominion Textile Co. Ltd. is taxable but the Company has not paid taxes on it
388	14896		Raw Cotton Reserve is maintained at \$1,000,000
	14897		Heward says that full disclosure has been made to Income Tax Department in regard to inventory valuations
388	14898		Until 1933 no mention was made of any reserve against raw cotton, although prior to 1933 there apparently was such a reserve
389	14899	17814	Method of taking inventory of goods in process and finished goods (Ex. 945; Ev. p. 12699)
391	14900 17814		Inventories of merchandise and supplies shown on 1935 and 1936 Balance Sheets were taken on the basis of cost or market whichever was lower (Ex. 938, Ev. p. 13772)

393	18309	Although Glasco was employed as Accountant by Price Spreads Commission, no disclosure was made of the existence of the inventory reserves of Canadian Cottons and Dominion Textile Company (Ev. p. 15771)
392	14902	The effect of the creation and maintenance of inventory reserve was not only to conceal assets of the Company but the result was to conceal the true profits of the Company
393	14903	Evidence of C.F. Elliott, Commissioner of Income Tax, as to what is required in the nature of disclosure (Ev. p. 13230)
394		Existence of reserves materially affects the taxes the Company ought to pay

Montreal Cottons, Limited

- 394 14904 Method of taking inventory used by Montreal Cottons is the same as that used by Dominion Textile (Ev. p. 13701 and 13702). This system has prevailed since Dominion Textile assumed control of Montreal Cottons
- 395 14904 1935 inventories of raw cotton, stock manufactured and in process and supplies
- 396 14905 Supplies were subject to discounts that ranged as high as 75%
- 396 14907 1935 Inventures. Statement of Auditors as to merchandise and supplies is worded the same as the wording used in the 1935 Balance Sheet of Dominion Textile Company Limited
- 397 14907 Statement signed by Auditors in 1935 shows Raw Cotton inventory "at less than prevailing market price", but does not say how much less

Drummondville Cotton Co. Ltd.

- 398 14908 Inventories were taken on same basis as Dominion Textile Company since it took over Drummondville Cotton in 1929 (Ev. p. 13703)
- 398 14909 The whole of any profits appropriated to Inventory Reserve could be subject to income tax since 1929

Sharbrooke Cotton Co. Ltd.

- 398 This Company was taken over by Dominion Textile Co. Ltd. in 1928 and its inventory reserves should be treated in the same way as those of Drummondville Cotton Co. (Ev. p. 13704)

RELATIONS WITH COUNTRIES OF ORIGIN

PAGE IN PAGE IN KELLOCK'S
INDEX INDEX RECAPITUL

T O B I S C T

399 14909

Milk Association of Canada made strong representations to the Government after tariff increase in 1930 and received further tariff protection in 1931 (Ev. p. 8334-8335)

400 14909

Correspondence re sample of Abutilon Mill produced by Grouts Limited for the purpose of showing it was of a class or kind made in Canada (Ex. 793, 862, 703, 798)

404 14909

Correspondence re claim of Gault Bros. Ltd. for refund of duty on importation of Cotton Crepe. Montreal Cottons stated to Government that it produced a similar Cotton Crepe but this was found to be incorrect and the Department ruled that the Cotton Crepe imported by Gault Bros. was of a class or kind not made in Canada (Ex. 800 and 1227)

410

Correspondence re Cotton Lambskin and whether it was of a class or kind made in Canada (Ex. 801, Ev. p. 11,679)

REPRESENTATIONS TO THE GOVERNMENT IN 1930

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>BUREAU'S</u> <u>REPLY</u>	
413	14910		Request of cotton manufacturers in 1930 for increased tariff protection (Ex. 495)
414			Advantage was taken of the increased tariff protection to increase the mill spread to the mills but this was not passed on to the workers
415		18511	Employers assert the right to organize but deny their employees the right to organize in their own interests

RELATIONS WITH TARIFF BOARD

<u>PAGE IN</u> <u>EXHIBIT</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>INITIAL</u>	<u>S U B J E C T</u>
416	14910		One of the duties of the Tariff Board is to determine the cost of efficient production in Canada
416		17347	In Reference 83, the Primary Textiles Institute engaged R.E. Loper for the purpose of putting before the Tariff Board the cost of production of different fabrics in Canada (Ex. p. 12912, 12913 and 12238)
417		17350	Costs prepared by Loper were not uniform costs, but a uniform method was used in developing them (Ex. p. 1805)
417			Loper stated that the costs submitted to the Tariff Board were based upon actual costs (Ex. p. 1816) but could give no information as to how these costs were arrived at (Ex. p. 1818, and 1819)
417		18500B 18505-58	Hooper unable to find any cost system at Canadian Cottons
419			Letter from P. R. Watson to Douglas Hallam dated October 17, 1935, suggesting that a pending hearing before the Tariff Board be made or less of a shadow in case Judge Sedgewick and the Board should be dismissed (Ex. 633)
420		17357	Letter from W.J. Whitehead to Cotton Institute of Canada, dated November 4, 1935, suggesting that it would be disclosing something to the disadvantage of the Canadian mills if they informed the Tariff Board that they use ring spun yarns at lower cost for the same purpose as the Englishman sells mule spun yarn at higher cost (Ex. 623)
421	14915		Burden on consumer

RELATIONS WITH INVESTING PUBLIC

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>KELLOCK'S</u> <u>REBUTTAL</u>
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S U B J E C T

421	14915		Burden on consumers of Canada has been aggravated by the process of capital inflation that has taken place over a long period of years
421	14915	16705	Record of Capital inflation by Dominion Textile, Canadian Cottons, Montreal Cottons, Wabasso Company and Penmans Limited
423	14915		Letter from A.W. Dawson to Minister of Finance, dated November 29, 1935, protesting against Japanese competition because a great many of the shares are owned by widows and orphans :-
423		16070	Unless some measure of investment control is adopted, promoters will soon be amalgamating and merging other textile companies and further applications will be made to the Government for the maintenance of protection

HUMAN RELATIONS

PAGE IN PAGE IN KELLOCK'S
DEPT ANGUST RENTAL

S U N J A T

424

Action of Dominion Textile Company in closing Sherbrooke mill indicates that influential members of the industry consider they have no responsibility to the Government to their workers or the public

424

Telegram from G.B. Gordon to Lacanance on August 27, 1936, refusing to open negotiations leading to higher wages for the employees at Montmorency

426

Evidence shows that in its relations with the public and its employees the leaders of the textile industry have maintained little regard for human relations

SUGGESTED REVISIONS

PAGE IN PAGE IN KELLCOCK'S
WEEK ARGUMENT ADDITIONAL

S U B J E C T

14918

To prevent excessive profits being made, there should be a reduction in tariffs so that competition will take care of price levels
Competition will take care of excessive profits and price-fixing agreements

14919

Tariffs in future should be based on the principle of reasonable competition and this should apply to all tariffs :- British Preferential, Intermediate and General

14920

When free right of purchase is taken from the consumer, the limit of taxing power given to private industry should be considered and that limit should be the very minimum

MISCELLANEOUS

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>REILLY'S</u> <u>REBUTTAL</u>	<u>H</u> <u>U</u> <u>S</u> <u>J</u> <u>S</u> <u>C</u> <u>F</u>
	13863		Letter from Canadian Association of Garment Manufacturers asking that wages paid in the primary textile industry be not accepted as indicative of wages paid in the garment industry
	16802	17152	Letter from Canadian Importers & Traders Association, dated Feb. 17, 1937, stating they had been refused Dominion Incorporation (Ex. 1341)

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